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August 10, 2021

OPG REPORTS 2021 SECOND QUARTER FINANCIAL RESULTS

Continues execution of Darlington Refurbishment; moving forward with developing low-carbon hydrogen production and small modular reactors

Toronto – Ontario Power Generation Inc. (OPG or Company) today reported its financial and operating results for the second quarter of 2021, with net income attributable to the Shareholder of $518 million, compared to $458 million for the same period last year.

"We are beginning to see light at the end of the long pandemic tunnel in Ontario," said Ken Hartwick, OPG President and CEO. "I am proud that throughout the pandemic, OPG workers have remained focused on keeping our power production facilities operating safely and reliably each and every day, while advancing essential projects and adhering to stringent COVID-related safety protocols."

"I am pleased that the Darlington refurbishment continues to progress on plan, with reactor disassembly on Unit 3, the second unit to be overhauled, well underway," said Ken Hartwick. "An extensive reconditioning of the turbine generator, a critical piece of equipment that is instrumental to ensuring Unit 3 can supply Ontarians with 24/7 emissions-free power for at least three more decades, is progressing well as part of the refurbishment, thanks to the efforts of our strong and dedicated project team."

Planning work continues toward siting a grid-scale nuclear small modular reactor (SMR) at the Darlington nuclear site as early as 2028, pending regulatory approvals and licensing. "Nuclear power is integral to our low-carbon future and SMRs are the flexible, scalable answer to achieving climate goals," said Ken Hartwick. "We are leveraging Ontario's decades of safe, reliable nuclear power experience to lead the way on SMRs, paving the way for others to utilize nuclear power to achieve climate objectives."

OPG continues to take meaningful steps to advance its Climate Change Plan commitments to be a net-zero company by 2040 and drive innovation to help achieve a net-zero economy by 2050. In addition to developing SMRs, this includes laying the groundwork for low-carbon hydrogen production in Ontario through subsidiary Atura Power, which is advancing the creation of regional hydrogen hubs as part of a new hydrogen-related business. Leveraging Ontario's clean electricity system, low-carbon hydrogen can reduce or offset carbon emissions in a variety of applications, including long-haul and heavy-duty trucking.

The increase in net income attributable to the Shareholder for the second quarter of 2021, compared to the same period in 2020, was primarily attributable to market gains on non-core equity investments, partially offset by lower earnings from the regulated nuclear stations due to lower electricity generation in the quarter. The lower earnings from the lower electricity generation were mainly driven by actions taken in 2020 in response to the COVID-19 pandemic.

On August 6, 2021, the Ontario Energy Board (OEB) approved a settlement agreement on most of the issues in OPG's application for new regulated prices for nuclear electricity generation for the 2022-2026 period. Final regulated prices reflecting the settlement agreement and the OEB's pending decision on the unsettled issues are expected to be approved in the second half of 2021. The new regulated prices will be effective January 1, 2022. The base regulated price for OPG's hydroelectric electricity generation for the 2022-2026 period will be equal to the current approved 2021 regulated price. The settlement agreement did not impact OPG's financial results for the second quarter of 2021.

Generating and Operating Performance

Electricity generated during the second quarter of 2021 was 19.2 terawatt hours (TWh), compared to 20.9 TWh for the same period in 2020. Electricity generated during the six months ended June 30, 2021 decreased to 38.3 TWh from 41.6 TWh for the same period in 2020.

Regulated – Nuclear Generation Segment

Electricity generation from the regulated nuclear stations decreased by 1.0 TWh and 3.2 TWh during the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. The decreases in both periods reflected a higher number of planned outage days at the Darlington nuclear generating station (Darlington GS), primarily due to the deferral of a Unit 1 planned cyclical maintenance outage to 2021 in connection with changes made to the Darlington Refurbishment schedule in response to the onset of the COVID-19 pandemic in 2020. The decreases were also driven by Unit 3 of the Darlington GS undergoing refurbishment during the full six months ended June 30, 2021, compared to all four of the station's units generating electricity upon the return to service of Unit 2 on June 4, 2020 and prior to Unit 3 being taken offline on July 30, 2020.

At the Darlington GS, the unit capability factor of 85.8 per cent for the three months ended June 30, 2021 decreased from 93.8 per cent for the same quarter in 2020. For the six months ended June 30, 2021, the station's unit capability factor decreased to 79.7 per cent, compared to 96.3 per cent for the same period in 2020. The decreases in both periods were primarily due to a higher number of planned and unplanned outage days, including the deferral of the Unit 1 planned cyclical maintenance outage from 2020 to 2021.

At the Pickering nuclear generating station (Pickering GS), the unit capability factor increased to 84.0 per cent for the three months ended June 30, 2021, compared to 80.0 per cent for the same quarter in 2020. This was primarily due to fewer cyclical maintenance and other planned outage days. For the six months ended June 30, 2021, the station's unit capability factor decreased to 78.1 per cent, compared to 79.9 per cent for the same period in 2020, primarily due to a higher number of unplanned outage days during the first quarter of 2021.

Regulated – Hydroelectric Generation Segment

Electricity generation from the regulated hydroelectric stations decreased by 0.9 TWh and 1.2 TWh during the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. The decreases in both periods were primarily due to lower water flows across most of Ontario.

Availability at the regulated hydroelectric stations decreased to 88.8 per cent and 90.3 per cent for the three and six month periods ended June 30, 2021, respectively, compared to 91.9 per cent and 90.9 per cent for the same periods in 2020. This was primarily due to higher planned outage days from deferring certain planned maintenance and project activities from 2020 in response to the onset of the COVID-19 pandemic, partially offset by fewer unplanned outage days across the regulated hydroelectric fleet.

Contracted Hydroelectric and Other Generation Segment

Electricity generation from the Contracted Hydroelectric and Other Generation business segment during the three and six month periods ended June 30, 2021 was comparable to the same periods in 2020.

Availability of the Ontario-based hydroelectric stations in the segment increased to 89.6 per cent and 87.7 per cent during the three and six month periods ended June 30, 2021, respectively, compared to 83.8 per cent and 86.7 per cent for the same periods in 2020. The increases in both periods were primarily due to fewer unplanned outage days at the contracted hydroelectric facilities in northeastern Ontario.

Contracted Gas Generation Segment

Electricity generation from the combined cycle gas turbine (combined cycle) plants increased by 0.2 TWh for the three months ended June 30, 2021, compared to the same quarter in 2020, primarily due to higher electricity demand in June 2021. During the six months ended June 30, 2021, electricity generation from the stations increased by 1.1 TWh, primarily from the portfolio of combined cycle plants acquired in April 2020.

Thermal Availability of the generating stations in the segment decreased to 92.9 per cent during the three and six month periods ended June 30, 2021, compared to 94.3 per cent for the same periods in 2020, primarily due to the impact of planned outages.

Total Generating Cost

The Enterprise Total Generating Cost (TGC) per megawatt hour (MWh) for the second quarter of 2021 was $53.48, compared to $43.81 for the same quarter in 2020. The increase was primarily due to lower electricity generation from the Regulated – Nuclear Generation and the Regulated – Hydroelectric Generation business segments.

The Enterprise TGC per MWh was $56.88 for the six months ended June 30, 2021, compared to $44.72 for the same period in 2020. The increase was primarily due to lower electricity generation reflecting the cyclical maintenance outage and refurbishment schedules at the Darlington GS and lower water flows at the hydroelectric stations in

Ontario, as well as higher operations, maintenance and administration (OM&A) expenses from the Regulated – Nuclear Generation business segment. The increase in OM&A expenses was largely due to the deferral of the Darlington GS Unit 1 planned cyclical maintenance outage from 2020 to 2021 in response to the COVID-19 pandemic.

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 COVID-19 pandemic.

Significant developments during the second quarter of 2021 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.

The Unit 3 refurbishment is progressing on schedule. As part of the Disassembly segment, the project completed the removal of 960 feeder tubes in May 2021. The removal of fuel channel assemblies is in progress, with the removal of end fittings nearing completion. The removal of pressure tubes and calandria tubes is expected to commence in August 2021 and, upon completion, will mark the end of the Disassembly segment. OPG is also progressing the reconditioning of the Unit 3 turbine generator, with the overhaul of the turbine generator and the installation of the turbine control systems upgrade completed in August 2021. 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 project to improve dam safety along the Lower Mattagami River in northeastern 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 provincial dam safety requirements. During the second quarter of 2021, OPG completed the construction of the barge landing and barge assembly. Rock excavation activities below the Adam Creek spillway structure on the Little Long Reservoir and the concrete placement of the new bays adjacent to the sluicegates are continuing.

The project is expected to be placed in service in 2023 and is tracking on budget of $650 million. The Little Long Dam supports OPG's contracted hydroelectric generating stations in the Contracted Hydroelectric and Other Generation business segment.

Sir Adam Beck I Hydroelectric GS Units G1 and G2 Replacement

OPG is continuing to execute on the replacement of two previously decommissioned generating units at the ten-unit Sir Adam Beck I GS in Niagara Falls, Ontario, which will add approximately 125 megawatts (MW) of incremental peaking generation capacity and provide decades of cost effective, clean power from one of the Company's flagship hydroelectric stations. During the second quarter of 2021, OPG completed the installation and machining of new turbine scroll cases for the G2 unit, and the installation of new turbine scroll cases for the G1 unit. The installation of the G2 unit turbine is underway.

The project is expected to be placed in service in 2022 and is tracking on budget of $128 million. 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 replace the original powerhouse, doubling the station's capacity to approximately 11 MW. During the second quarter of 2021, the project continued construction on the new powerhouse, including the installation of structural supports and piping and the placement of concrete. The project also continues to progress the construction of the downstream cofferdam and has commenced the construction of the upstream cofferdam, both of which are expected to be completed in the second half of 2021.

The project is expected to be placed in service in 2022 and is tracking on budget of $137 million. The Calabogie GS is located along the Madawaska River in eastern Ontario and is reported in the Regulated – Hydroelectric Generation business segment.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2021**	**2020**	**2021**	**2020**
Revenue	**1,804**	1,849	**3,495**	3,569
Fuel expense	**203**	199	**387**	352
Operations, maintenance and administration expenses	**700**	684	**1,512**	1,392
Depreciation and amortization expenses	**277**	334	**555**	648
Accretion on fixed asset removal and nuclear waste management liabilities	**271**	264	**544**	528
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(240)**	(288)	**(479)**	(459)
Other net (gains) expenses	**(106)**	5	**(97)**	5
Earnings before interest and income taxes	**699**	651	**1,073**	1,103
Net interest expense	**54**	77	**114**	129
Income tax expense	**123**	112	**142**	199
Net income	**522**	462	**817**	775
Net income attributable to the Shareholder	**518**	458	**808**	767
Net income attributable to non-controlling interest [1]	**4**	4	**9**	8
Earnings (loss) before interest and income taxes				
Electricity generating business segments	**607**	607	**1,006**	1,148
Regulated – Nuclear Waste Management	**(28)**	27	**(59)**	(63)
Other	**120**	17	**126**	18
Earnings before interest and income taxes	**699**	651	**1,073**	1,103
Cash flow provided by operating activities	**524**	823	**1,076**	1,540
Capital expenditures [2]	**485**	385	**906**	834
Electricity generation (TWh)				
Regulated – Nuclear Generation	**10.6**	11.6	**19.5**	22.7
Regulated – Hydroelectric Generation	**6.6**	7.5	**14.5**	15.7
Contracted Hydroelectric and Other Generation [3]	**1.4**	1.4	**2.7**	2.7
Contracted Gas Generation	**0.6**	0.4	**1.6**	0.5
Total OPG electricity generation	**19.2**	20.9	**38.3**	41.6
Nuclear unit capability factor (per cent) [4]				
Darlington Nuclear GS	**85.8**	93.8	**79.7**	96.3
Pickering Nuclear GS	**84.0**	80.0	**78.1**	79.9
Availability (per cent)				
Regulated – Hydroelectric Generation	**88.8**	91.9	**90.3**	90.9
Contracted Hydroelectric and Other Generation – hydroelectric stations [5]	**89.6**	83.8	**87.7**	86.7
Contracted Gas Generation [6]	**92.9**	94.3	**92.9**	94.3
Equivalent forced outage rate				
Contracted Hydroelectric and Other Generation – thermal stations	**2.4**	4.8	**2.5**	4.6
Enterprise Total Generating Cost (TGC) per MWh ($/MWh) [7]	**53.48**	43.81	**56.88**	44.72

[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 acquisition of a portfolio of combined cycle gas turbine plants on April 29, 2020.

[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 availability of combined cycle gas turbine plants, calculated on a three-year rolling average basis.

[7] Enterprise TGC per MWh is a non-GAAP financial measure and it does 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, in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

About OPG

As a global climate change leader and the largest, most diverse electricity generator in the province of Ontario, OPG and its family of companies are helping lead the charge to a post-carbon economy.

Ontario Power Generation Inc.'s unaudited interim consolidated financial statements and Management's Discussion and Analysis as at and for the three and six month periods ended June 30, 2021 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:

Ontario Power Generation
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ONTARIO POWER GENERATION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2021 SECOND 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 six month periods ended June 30, 2021. 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, 2020.

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 (OSC) that allows OPG to apply US GAAP instead of International Financial Reporting Standards (IFRS). 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 2020 annual MD&A. This MD&A is dated August 10, 2021.

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 (FERC), 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, 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:

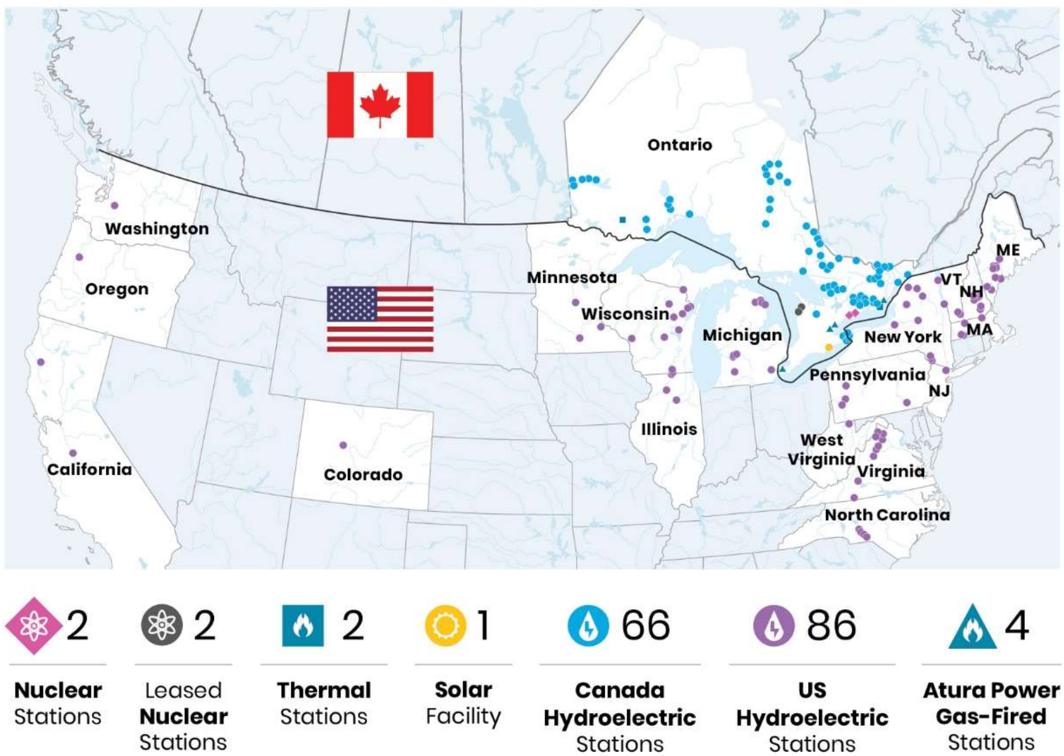
- "Enterprise Total Generating Cost per Megawatt-Hour";
- "Earnings before Interest, Income Taxes, Depreciation and Amortization"; and
- "Gross Margin".

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 18,910 megawatts (MW) as at June 30, 2021.

As at June 30, 2021, OPG owned and operated two nuclear generating stations, 66 hydroelectric generating stations, two thermal generating stations, one solar facility and four combined cycle gas turbine (combined cycle) plants in Ontario, Canada. The combined cycle plants are natural gas-fired facilities owned and operated through the Company's wholly-owned subsidiary operating as Atura Power. Through its US-based wholly-owned subsidiary, OPG Eagle Creek Holdings LLC, OPG also wholly or jointly owned and operated 86 hydroelectric generating stations and held minority interests in 14 hydroelectric and two solar facilities in the US as at June 30, 2021. 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.

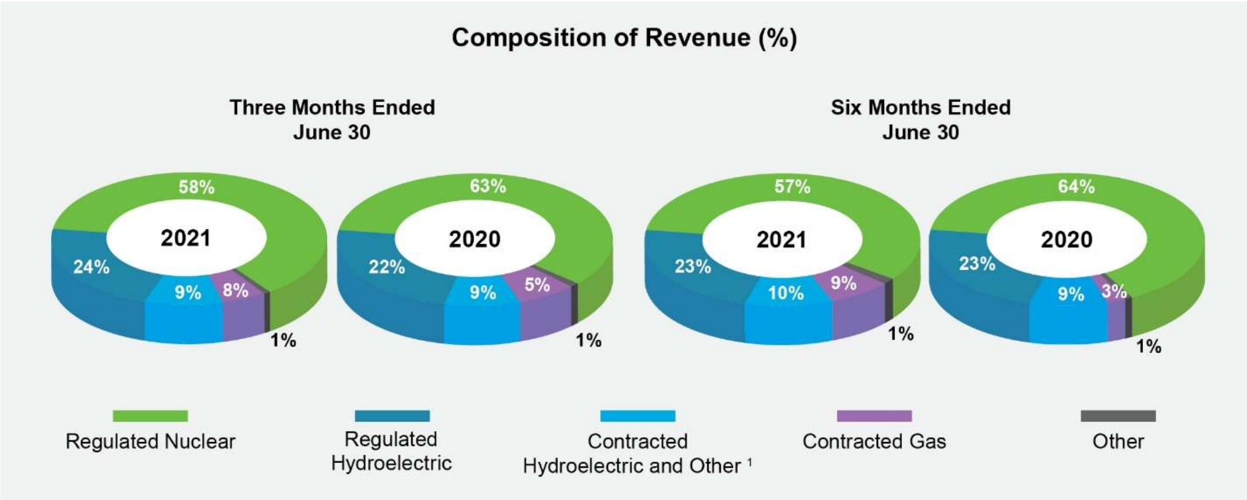
Income from the stations leased to Bruce Power is included in revenue under the Regulated – Nuclear Generation business segment. The leased stations are not included in the Company's electricity generation and other operating statistics set out in this MD&A.

Reporting Structure

The composition of OPG's reportable business segments effective as at June 30, 2021 is as follows:

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

The composition of OPG's revenue by business segment for the three and six month periods ended June 30, 2021 and 2020 was as follows:



[1] Includes contracted revenue from hydroelectric generating stations operating under ESAs, with expiration dates ranging from 2059 to 2067.

In-Service Generating Capacity

OPG's in-service generating capacity by business segment as at June 30, 2021 and December 31, 2020 was as follows:

	As At	
(MW)	**June 30 2021**	**December 31 2020**
Regulated – Nuclear Generation	**5,728**	5,728
Regulated – Hydroelectric Generation	**6,420**	6,420
Contracted Hydroelectric and Other Generation [1]	**4,047**	4,047
Contracted Gas Generation	**2,715**	2,715
Total	**18,910**	18,910

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

HIGHLIGHTS

Overview of Results

This section provides an overview of OPG's unaudited interim consolidated operating results for the three and six month periods ended June 30, 2021, compared to the same periods in 2020. A discussion of OPG's performance by business segment can be found in the section, *Discussion of Operating Results by Business Segment*.

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2021**	**2020**	**2021**	**2020**
Revenue	**1,804**	1,849	**3,495**	3,569
Fuel expense	**203**	199	**387**	352
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Earnings on nuclear fixed asset removal and nuclear waste management funds	**(240)**	(288)	**(479)**	(459)
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Electricity generation (TWh) [2]	**19.2**	20.9	**38.3**	41.6
Cash flow				
Cash flow provided by operating activities	**524**	823	**1,076**	1,540
Capital expenditures [3]	**485**	385	**906**	834
Earnings (loss) before interest and income taxes by business segment				
Regulated – Nuclear Generation	**284**	309	**373**	573
Regulated – Hydroelectric Generation	**201**	196	**376**	393
Contracted Hydroelectric and Other Generation	**56**	52	**123**	116
Contracted Gas Generation	**66**	50	**134**	66
Total electricity generating business segments	**607**	607	**1,006**	1,148
Regulated – Nuclear Waste Management	**(28)**	27	**(59)**	(63)
Other	**120**	17	**126**	18
Earnings before interest and income taxes	**699**	651	**1,073**	1,103
Enterprise TGC per MWh ($/MWh) [4]	**53.48**	43.81	**56.88**	44.72

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 United States.
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 combined cycle gas turbine plants on April 29, 2020.
4 Enterprise TGC per MWh is a non-GAAP financial measure and does not have a 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*.

Second Quarter

Net income attributable to the Shareholder was $518 million for the second quarter of 2021, representing an increase of $60 million compared to the same quarter in 2020.

Earnings before interest and income taxes (EBIT) were $699 million for the second quarter of 2021, an increase of $48 million compared to the same quarter in 2020.

Significant factors that increased EBIT:

- A gain of $83 million related to changes in the market value of non-core equity holdings in a smart energy storage company that became publicly traded during the second quarter of 2021. The original investment was made as part of OPG's strategy to support clean energy innovation in line with climate goals;
- A decrease in depreciation and amortization expenses of $74 million from the Regulated – Nuclear Generation business segment, excluding amortization expense related to the recovery of regulatory variance and deferral account (regulatory account) balances, primarily due to depreciation expense recorded as recoverable from customers in regulatory accounts in connection with differences in the current accounting end-of-life assumptions for the Pickering nuclear generating station (Pickering GS) from those assumed in the base regulated price for OPG's nuclear electricity generation (nuclear base regulated price) effective January 1, 2021;
- A gain of $30 million on the sale of OPG's former Thunder Bay GS site recognized upon completion of the transaction in April 2021. The former coal-fired generation plant, subsequently converted to operate as a single-unit advanced biomass-fuelled generating station, was located in Thunder Bay, Ontario and ceased operations in 2018;
- An increase in non-electricity generation revenue from the Regulated – Nuclear Generation business segment of $16 million, primarily from increased heavy water tritium removal (detritiation) services; and
- Higher EBIT of $16 million from the Contracted Gas Generation business segment, primarily from the acquisition of a portfolio of combined cycle plants in Ontario on April 29, 2020.

Significant factors that decreased EBIT:

- Lower revenue from the Regulated – Nuclear Generation business segment of $89 million due to lower electricity generation of 1.0 terawatt hours (TWh) and $97 million reflecting lower amounts recorded in the Rate Smoothing Deferral Account pursuant to the OEB's March 2018 payment amounts order, partially offset by $50 million from a higher nuclear base regulated price effective January 1, 2021; and
- Lower earnings from the nuclear fixed asset removal and nuclear waste management segregated funds (Nuclear Segregated Funds) of $48 million, primarily due to an increase in the market value of investments during the second quarter of 2020 as a result of improved financial market conditions.

Net interest expense decreased by $23 million in the second quarter of 2021, compared to the same quarter in 2020, primarily due to lower amounts of interest recorded as refundable to customers through regulatory accounts.

Income tax expense increased by $11 million for the second quarter of 2021, compared to the same period in 2020. The increase was primarily due to higher earnings before taxes, partially offset by a higher amount of income tax expense deferred as regulatory assets.

Year-To-Date

Net income attributable to the Shareholder was $808 million for the first six months of 2021, representing an increase of $41 million compared to the same period in 2020.

Earnings before interest and income taxes were $1,073 million for the first six months of 2021, a decrease of $30 million compared to the same period in 2020.

Significant factors that decreased EBIT:

- Lower revenue from the Regulated – Nuclear Generation business segment of $270 million due to lower electricity generation of 3.2 TWh and $195 million reflecting lower amounts recorded in the Rate Smoothing Deferral Account, partially offset by $93 million from a higher nuclear base regulated price effective January 1, 2021; and

- Higher OM&A expenses of $61 million from the Regulated – Nuclear Generation business segment, as expected, primarily due to the deferral of a planned cyclical maintenance outage for Unit 1 of the Darlington nuclear generating station (Darlington GS) form the fall of 2020 to February 2021.

Significant factors that increased EBIT:

- A decrease in depreciation and amortization expenses of $147 million from the Regulated – Nuclear Generation business segment, excluding amortization expense related to the recovery of regulatory account balances, primarily due to depreciation expense recorded as recoverable from customers in regulatory accounts in connection with differences in the current accounting end-of-life assumptions for the Pickering GS from those assumed in the nuclear base regulated price effective January 1, 2021;

- A gain of $83 million related to changes in the market value of non-core equity holdings in a publicly held smart energy storage company that became publicly traded during the second quarter of 2021;

- Higher EBIT of $68 million from the Contracted Gas Generation business segment, primarily from the acquisition of a portfolio of combined cycle plants in Ontario on April 29, 2020;

- A gain on the sale of OPG's former Thunder Bay GS site of $30 million recognized in earnings upon completion of the transaction in the second quarter of 2021;

- An increase in non-electricity generation revenue from the Regulated – Nuclear Generation business segment of $25 million, primarily due to increased heavy water detritiation services; and

- Lower fuel expense of $23 million from the Regulated – Nuclear Generation business segment, primarily due to lower electricity generation.

Net interest expense decreased by $15 million for the six months ended June 30, 2021, compared to the same period in 2020. The decrease was primarily due to lower amounts of interest recorded as refundable to customers through regulatory accounts, partially offset by 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 in June 2020.

Income tax expense decreased by $57 million for the six months ended June 30, 2021, compared to the same period in 2020. The decrease was primarily due to a higher 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.

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 Independent Electricity System Operator (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.

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

Electricity Generation

Electricity generation for the three and six month periods ended June 30, 2021 and 2020 was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(TWh)	**2021**	**2020**	**2021**	**2020**
Regulated – Nuclear Generation	**10.6**	11.6	**19.5**	22.7
Regulated – Hydroelectric Generation	**6.6**	7.5	**14.5**	15.7
Contracted Hydroelectric and Other Generation [1]	**1.4**	1.4	**2.7**	2.7
Contracted Gas Generation [1]	**0.6**	0.4	**1.6**	0.5
Total OPG electricity generation	**19.2**	20.9	**38.3**	41.6

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

Total OPG electricity generation decreased by 1.7 TWh and 3.3 TWh for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020.

Electricity generation from the Regulated – Nuclear Generation business segment decreased by 1.0 TWh and 3.2 TWh for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. The decreases in both periods reflected a higher number of planned outage days at the Darlington GS, primarily due to the deferral of a planned cyclical maintenance outage for Unit 1 from the fall of 2020 to February 2021 in connection with changes made to the Darlington Refurbishment schedule in response to the onset of the COVID-19 pandemic in 2020. The decreases were also driven by Unit 3 of the Darlington GS undergoing refurbishment during the full six months ended June 30, 2021, compared to all four of the station's units generating electricity upon the return to service of Unit 2 on June 4, 2020 and prior to Unit 3 being taken offline on July 30, 2020.

The decreases in electricity generation of 0.9 TWh and 1.2 TWh from the Regulated – Hydroelectric business segment for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020, were primarily due to lower water flows across most of Ontario.

The electricity generation from the Contracted Hydroelectric and Other Generation business segment for the three and six month periods ended June 30, 2021 was comparable to the same periods in 2020.

The electricity generation from the Contracted Gas Generation business segment increased by 0.2 TWh for the three months ended June 30, 2021, compared to the same period in the 2020, primarily due to higher electricity demand in June 2021. The increase of 1.1 TWh in electricity generated from the segment for the six months ended June 30, 2021, compared to the same period in 2020, was primarily from the portfolio of combined cycle plants acquired on April 29, 2020.

For the three and six month periods ended June 30, 2021, Ontario's electricity demand as reported by the IESO was 31.1 TWh and 65.6 TWh, respectively, compared to 29.7 TWh and 64.1 TWh for the same periods in 2020, 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 for the three and six month periods ended June 30, 2021, compared to the same periods in 2020. Production forgone at OPG's regulated hydroelectric stations due to SBG conditions was 0.8 TWh and 1.4 TWh during the three and six month periods ended June 30, 2021, compared to 1.8 TWh and 2.5 TWh, respectively, for the same periods in 2020. 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 was $524 million for the three months ended June 30, 2021, compared to $823 million for the same period in 2020, and $1,076 million for the six months ended June 30, 2021, compared to $1,540 million for the same period in 2020. The decreases in both periods were primarily due to lower revenue receipts reflecting lower electricity generation from the Regulated – Nuclear Generation and the Regulated – Hydroelectric Generation business segments, and higher cash payments for income taxes. The decreases were partially offset by the net cash receipts from the operation of the combined cycle plants acquired in April 2020.

Capital Expenditures

Capital expenditures for the three and six month periods ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
(millions of dollars)	**2021**	**2020**	**2021**	**2020**
Regulated – Nuclear Generation – Darlington Refurbishment Project	**216**	179	**394**	448
Regulated – Nuclear Generation – Excluding Darlington Refurbishment Project	**93**	69	**181**	150
Regulated – Hydroelectric Generation	**80**	62	**156**	120
Contracted Hydroelectric and Other Generation	**64**	27	**125**	52
Contracted Gas Generation	**12**	4	**13**	4
Other	**20**	44	**37**	60
Total capital expenditures [1]	**485**	385	**906**	834

[1] Includes net changes in accruals; excludes the acquisition of a portfolio of combined cycle assets on April 29, 2020.

Total capital expenditures increased by $100 million and $72 million for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020.

The increase of $37 million in the capital expenditures on the Darlington Refurbishment project for the three months ended June 30, 2021, compared to the same period in 2020, was primarily due to execution activities on Unit 3 of the Darlington GS. This increase was partially offset by the completion of execution activities on Unit 2 of the Darlington GS in the second quarter of 2020. The decrease of $54 million in the capital expenditures on the Darlington Refurbishment project for the six months ended June 30, 2021, compared to the same period in 2020, was primarily due to execution activities on Unit 2 and higher expenditures related to Units 1 and 4 in 2020, partially offset by execution activities on Unit 3 in 2021.

Excluding the Darlington Refurbishment project, capital expenditures for the Regulated – Nuclear Generation business segment increased by $24 million and $31 million for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. The increases in both periods were primarily due to higher expenditures on critical spare parts at the Darlington GS during the second quarter of 2021.

Capital expenditures for the Regulated – Hydroelectric Generation business segment increased by $18 million and $36 million for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. The increases in both periods were mainly due to higher expenditures on the redevelopment of the Calabogie GS and asset overhaul programs, as planned.

Capital expenditures for the Contracted Hydroelectric and Other Generation business segment increased by $37 million and $73 million for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. The increases in both periods primarily reflected higher expenditures on the Little Long Dam Safety project, as planned.

Capital expenditures for the Other category decreased by $24 million and $23 million for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. The decreases in both periods were mainly a result of lower expenditures on information technology systems.

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*.

Enterprise Total Generating Cost per Megawatt-Hour

The Enterprise TGC per MWh was $53.48 and $56.88 for the three and six month periods ended June 30, 2021, respectively, compared to $43.81 and $44.72 for the same periods in 2020.

For the three months ended June 30, 2021, the increase was primarily due to lower electricity generation from the Regulated – Nuclear Generation and the Regulated – Hydroelectric Generation business segments. For the six months ended June 30, 2021, the increase was primarily due to lower electricity generation from the Regulated – Nuclear Generation and Regulated – Hydroelectric Generation business segments, reflecting the cyclical maintenance outage and refurbishment schedules at the Darlington GS and lower water flows at the hydroelectric stations in Ontario. The increase was also due to higher OM&A expenses from the Regulated – Nuclear Generation business segment, largely due to the deferral of a planned cyclical maintenance outage for Unit 1 of the Darlington GS from the fall of 2020 to February 2021 in response to the COVID-19 pandemic.

SIGNIFICANT DEVELOPMENTS

Project Excellence

Darlington Refurbishment Project Best Practice Award

In the second quarter of 2021, the Darlington Refurbishment project team was recognized by the Electric Utility Cost Group (EUCG) with its Best Practice Award related to the refurbishment of Unit 2 of the Darlington GS. This industry award recognized project management excellence for incorporating operational experience and lessons learned from the successful Unit 2 refurbishment into the planning and execution of the refurbishment of Unit 3 and the two subsequent units. These improvements are leading to innovation, efficiencies and enhanced safety and quality for Unit 3 execution activities, with additional improvement opportunities being identified for the subsequent units.

Low-carbon Hydrogen Development

Through Atura Power, OPG is laying the groundwork for low-carbon hydrogen production and the creation of regional hydrogen hubs in Ontario as part of a new hydrogen-related business. In the second quarter of 2021, Atura Power conducted feasibility studies to progress several commercial hydrogen demonstration projects at a variety of locations anchored around existing electricity generating facilities and infrastructure throughout the province. Low-carbon hydrogen has the potential to reduce or offset carbon emissions in a range of applications, including powering fuel cells in vehicles used in the heavy-duty and long-haul trucking industry, as an energy substitute for high-emitting industrial applications, and by blending hydrogen with natural gas to reduce the carbon impact of gas-fired electricity generation. The development of a hydrogen economy using Ontario's clean electricity is aligned with OPG's strategy of advancing innovative solutions to become a net-zero carbon company by 2040 and act as a catalyst for efficient, economy-wide decarbonization by 2050.

Financial Strength

Settlement Agreement on OPG's Application for New Regulated Prices

In December 2020, OPG filed a five-year application with the OEB for new base regulated prices for production from the Company's nuclear facilities, determined under a custom incentive regulation framework used to establish the current regulated prices, with a proposed effective date of January 1, 2022. The application also requested new rate riders, effective January 1, 2022, to recover or repay the December 31, 2019 balances in most of the Company's regulatory accounts, less amounts previously approved for recovery or repayment through rate riders in effect to December 31, 2021, as well as the continuation of all applicable existing deferral and variance accounts.

Under the custom incentive regulation framework, OPG proposed a nuclear revenue requirement for each of the years 2022 to 2026 based on a forecast of operating costs and a return of and on rate base, as reduced by a stretch factor amount, to be recovered over a forecasted generation volume. The return on rate base is calculated using a formula-based rate of return on equity (ROE) established by the OEB on a generic basis and a company-specific deemed equity percentage applied to the rate base. As required by *Ontario Regulation 53/05*, the application proposed that nuclear base regulated prices incorporate a rate smoothing proposal to defer a portion of the nuclear revenue requirements in the Rate Smoothing Deferral Account for future collection. The public proceeding for OPG's application began in the first quarter of 2021.

In July 2021, OPG and the intervenors in OPG's application reached a proposed settlement on most of the issues in the application (Settlement Agreement), with the exception of the following: in-service capital additions for the Heavy Water Storage and Drum Handling Facility (HWSF) and associated regulatory account balances, the treatment of non-capital planning and preparation costs related to the nuclear small modular reactor (SMR) project at the Darlington nuclear site that are currently being recorded in an existing regulatory account, and rate smoothing. OPG's application includes in-service capital additions of approximately $510 million for the HWSF, a pre-requisite project forming part of the Darlington Refurbishment. The Settlement Agreement provides for a January 1, 2022 effective date for new regulated prices.

The Settlement Agreement was submitted for approval to the OEB on July 16, 2021. An oral hearing on the HWSF and SMR related unsettled issues was held between August 4, 2021 and August 6, 2021. On August 6, 2021, the OEB issued an oral decision approving the Settlement Agreement. The OEB's written decision on the HWSF and SMR related issues, along with written reasons for approving the Settlement Agreement, is expected in the second half of 2021. The OEB has stated that rate smoothing will be considered following the issuance of this written decision, at which time OPG expects final regulated prices reflecting the above decisions to be approved. The Settlement Agreement did not impact OPG's financial results for the three and six month periods ended June 30, 2021.

Highlights of the Settlement Agreement are outlined below.

Nuclear Rate Base, and Darlington Refurbishment

The Settlement Agreement provides for inclusion in rate base of non-HWSF in-service capital additions related to the Darlington Refurbishment project of approximately $6.4 billion between 2022 and 2026 as proposed in OPG's application, which comprises the forecasted return to service of Units 3, 1 and 4 of the Darlington GS upon refurbishment. This is in addition to the approximate $5.5 billion in non-HWSF Darlington Refurbishment in-service capital additions as of the end of 2021 previously approved by the OEB in establishing the 2017-2021 regulated prices. The Settlement Agreement also provides for recovery of non-capital costs for the Darlington Refurbishment project forecasted over the 2022-2026 period. The revenue requirement impact of differences between the approved forecasted and actual in-service capital additions and non-capital costs related to the project will continue to be recorded in the Capacity Refurbishment Variance Account authorized by the OEB pursuant to *Ontario Regulation 53/05.* Any amounts sought for recovery that arise from the total cost of the project exceeding $12.8 billion and the impact of any future material changes to the project scope will be subject to a prudence review by the OEB in a subsequent proceeding.

Inclusive of the settled in-service capital additions related to the Darlington Refurbishment project and subject to the OEB's decision on the HWSF, the Settlement Agreement provides for a nuclear rate base of $13.1 billion by 2026. This reflects a reduction to OPG's requested forecasted non-Darlington Refurbishment in-service capital additions of approximately $60 million per year over the 2022-2026 period.

As part of the Settlement Agreement, the parties agreed that the undepreciated portion of nuclear rate base related to recently completed non-Darlington Refurbishment in-service capital, equal to approximately $300 million as of the end of 2021, will earn a return on deemed equity at the cost of long-term debt reflected in the revenue requirements over the 2022-2036 period. Thereafter, the remaining undepreciated amount will earn a return on deemed equity at the OEB-approved ROE rate in place at that time. The Settlement Agreement provides for an average cost of debt of 3.6 percent per annum over the 2022-2026 period, as requested in OPG's application.

Nuclear Revenue Requirement, and COVID-19 Impacts

Subject to the OEB's decision on the unsettled issues and the application of the OEB's prevailing ROE rate to determine the final return on rate base amount, OPG has calculated that the Settlement Agreement results in nuclear revenue requirements, net of stretch factor, totalling $16.1 billion over the 2022-2026 period, compared to $16.7 billion proposed in OPG's application. Contributing to the overall reduction is a decrease to the requested OM&A costs of approximately $55 million per year, the above noted decrease in the requested forecasted non-Darlington Refurbishment in-service capital additions, an increase and expansion of scope for the stretch factor, and the continuation of the existing deemed capital structure of 45 percent equity and 55 percent debt. The Settlement Agreement provides for an annual stretch factor of 0.6 percent for the 2022-2025 period and 0.3 percent for 2026, applied to most of OPG's OM&A expenses incurred directly for, or allocated to, the nuclear facilities, as well as to the full non-Darlington Refurbishment capital related revenue requirement. The stretch factor applies starting in 2023 and compounds in each year to 2026, with certain adjustments for the planned end of commercial operations of the Pickering GS in 2025. The Settlement Agreement also reflects an increase in total forecasted nuclear production of 2.8 TWh over the 2022-2026 period.

Additionally, as part of the Settlement Agreement, OPG will credit ratepayers with $47 million related to the difference between the Company's net favourable electricity revenue impact and incremental OM&A expenses arising from the pandemic response over 2020 and 2021. The Company expects to report a corresponding increase in regulatory liabilities and a reduction in net income related to these impacts during the third quarter of 2021. Upon the OEB's approval of the Settlement Agreement, OPG ceased being subject to the deferral account for recording lost revenues and incremental costs related to the COVID-19 pandemic that was established by the OEB in March 2020.

Nuclear Liabilities, and Pension and OPEB Costs

Under the Settlement Agreement, OPG's revenues and costs related to the Bruce nuclear generating stations continue to be determined in accordance with US GAAP for the purposes of establishing the nuclear revenue requirements, as previously directed by the OEB in accordance with *Ontario Regulation 53/05*. This includes costs related to the portion of OPG's nuclear fixed asset removal and nuclear waste management liabilities (Nuclear Liabilities) associated with the Bruce nuclear generating stations. The Settlement Agreement maintains the previously approved methodology for recovering the costs of the Nuclear Liabilities for OPG's regulated nuclear facilities and for the Bruce facilities and includes such costs for the 2022-2026 period in the amounts requested in OPG's application.

As proposed in OPG's application and confirmed by the Settlement Agreement, recovery of forecasted pension and OPEB costs in the nuclear revenue requirements will use the accrual method of accounting. As also proposed in the application, differences between the pension and OPEB costs under the accrual method of accounting and OPG's cash payments in respect of pension and OPEB plans, together with amounts recovered from the Pension & OPEB Cash Versus Accrual Differential Deferral Account, will be subject to asymmetric carrying charges in favour of customers at a prescribed interest rate set quarterly by the OEB based on the quarterly return of a mid-term corporate bond index yield. The Settlement Agreement also provides for the Pension and OPEB Cost Variance Account to record, for the nuclear facilities, differences between OPG's actual pension and OPEB costs determined using the accrual method and related tax impacts, and the corresponding forecast amounts reflected in the new regulated prices.

Variance and Deferral Accounts, and Earnings Sharing Mechanism

Subject to the OEB's decision on the HWSF, the Settlement Agreement provides for recovery of a net total of $702 million comprising amounts recorded in regulatory accounts as at December 31, 2019 and associated income tax impacts, including for the Pension & OPEB Cash Versus Accrual Differential Deferral Account, without adjustments. Together with the $47 million ratepayer credit related to impacts arising from the Company's pandemic response, these balances will be recovered or repaid effective January 1, 2022 over periods ranging from three to five years. Additionally, the Settlement Agreement defers the clearance of a portion equal to $40 million of amounts recorded as recoverable from customers in the Hydroelectric Surplus Baseload Generation Variance Account as at December 31, 2019 to a future proceeding addressing any impacts on OPG's regulated pricing mechanisms from the IESO's Market Renewal Program. The total net settled balance of $702 million comprises $787 million in recoverable balances previously approved but not yet authorized for collection by the OEB, and newly approved net refundable balances of $85 million. The associated income tax impacts included for recovery were previously recorded as part of the regulatory asset for deferred income taxes.

The Settlement Agreement provides for the continuation of all applicable existing regulatory accounts and acknowledges that OPG may file a separate application during the 2022-2026 period seeking clearance of regulatory account balances accumulated since they will have been last cleared in this proceeding.

The Settlement Agreement establishes a mechanism for customers to share, on a 50 percent basis, in the earnings of OPG's combined nuclear and regulated hydroelectric business that exceed a 100 basis points deadband to the OEB-approved ROE rate, assessed on a five-year cumulative basis over the 2022-2026 period. Any such amounts shared with customers will be recorded in a new deferral account for disposition following the five-year period. The custom incentive regulation framework will also continue to include a symmetrical 300 basis points threshold around the approved ROE rate as the OEB's expected range of financial performance outcomes. Return on equity performance for the purposes of the earnings sharing mechanism and the 300 basis points threshold will be calculated on the deemed capital structure reflected in the approved regulated prices.

Additionally, the Settlement Agreement provides for the establishment of new regulatory accounts to record, effective January 1, 2022, the financial impacts of transition to and implementation of IFRS from US GAAP in the event that OPG adopts IFRS for financial reporting purposes to meet the requirements of *Securities Act* (Ontario), and the nuclear revenue requirement impact of capital expenditures and operating costs for OPG's planned new corporate campus in Clarington, Ontario. It also provides for the establishment, on a final basis effective January 1, 2021, of a deferral account to record the revenue requirement impacts arising from changes to nuclear liabilities and depreciation and amortization expenses as a result of changes to the accounting end-of-life assumptions for the Pickering GS, including those that became effective December 31, 2020.

<u>Green Bonds</u>

On May 14, 2021, OPG's wholly-owned Lower Mattagami Energy Limited Partnership (LME) completed a private placement bond offering with the issuance of $375 million of green bonds, maturing in May 2031 with a coupon interest rate of 2.43 percent. The net proceeds from the issuance are to be used for refinancing LME's outstanding bonds at maturity and to fund the Little Long Dam Safety project. In the second quarter of 2021, LME repaid senior notes totalling $225 million that had matured. LME owns and operates certain of OPG's contracted hydroelectric facilities located along the Lower Mattagami River in northeastern Ontario.

CORPORATE 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 2020 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 2020 annual MD&A in the sections, *The Company* 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

- OPG continues to take action to protect the health and safety of the Company's employees, partners and communities against COVID-19, while ensuring continued safe and reliable operation of the Company's generating assets and advancing key projects. This includes leveraging preparedness plans, maintaining enhanced safety measures, and supporting vaccination efforts. OPG is also finalizing a return to workplace plan for employees not directly involved in operating the generating facilities who have been working remotely under a work-from-home strategy during the pandemic. The plan is expected to follow a phased approach that ensures the transition is implemented safely, aligns with public health guidelines, and considers the needs of different work environments.

- OPG coordinates and collaborates with various government agencies, municipalities, Indigenous partners and community stakeholders to ensure river systems on which the Company operates are managed safely and effectively, while meeting electricity generation needs. During the spring of 2021, a number of river systems in Ontario experienced low water conditions as a result of an earlier and milder spring freshet and a lack of significant precipitation during the winter months. OPG managed these conditions by balancing the river flows and elevations at its hydroelectric facilities in accordance with applicable Water Management Plans, while continuing to provide flexibility to the province's electricity system.

- In January 2021, the CNSC approved the regulatory document *REGDOC 2.2.4 – Fitness for Duty, Vol. II: Managing Alcohol and Drug Use (version 3)* (REGDOC 2.2.4) for use at Canadian high-security nuclear power sites. The regulatory document sets out requirements for managing fitness for duty of workers in relation to alcohol and drug use, including for-cause alcohol and drug testing for workers in safety-sensitive and safety-critical positions, and random alcohol and drug testing for workers holding safety-critical positions. In July 2021, OPG put into effect a fitness for duty policy on managing alcohol and drug use, which implements the requirements of REGDOC 2.2.4, with the exception of random testing. Random testing is scheduled to begin in January 2022.

Project Excellence

OPG is undertaking a number of generation development and other projects to maximize the value of and expand its generating fleet in support of 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	Life-to-date	**Approved budget**	**Expected in-service date**	**Current status**
Darlington Refurbishment	394	7,840	12,800 [1]	Second unit - 2024 Last unit - 2026	Unit 3 refurbishment is progressing on schedule and is currently in the Disassembly segment. 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	97	199	650	2023	During the second quarter of 2021, OPG completed the construction of the barge landing and barge assembly. Rock excavation activities below the Adam Creek spillway structure on the Little Long Reservoir and the concrete placement of the new bays adjacent to the sluicegates are also continuing. The project is expected to be placed in service in 2023 and is tracking on budget.
Sir Adam Beck I GS Units G1 and G2 Replacement	20	74	128	2022	During the second quarter of 2021, OPG completed the installation and machining of new turbine scroll cases for the G2 unit, as well as the installation of the new turbine scroll cases for the G1 unit. The installation of the G2 unit turbine is underway. The project is expected to be placed in service in 2022 and is tracking on budget.
Calabogie Hydroelectric GS	26	56	137	2022	During the second quarter of 2021, OPG continued construction on the new powerhouse, including the installation of structural supports and piping and placement of concrete. The project also continues to progress the construction of the downstream cofferdam and has commenced the construction of the upstream cofferdam, both which are expected to be completed in the second half of 2021. The project is expected to be placed in service in 2022 and is tracking on budget.

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

Project *(millions of dollars)*	Capital expenditures Year-to-date	 Life-to-date	Approved budget	Expected in-service date	Current status
Ranney Falls Hydroelectric GS	1	72	77	2022	During final commissioning of the new 10 MW single-unit powerhouse on the existing Ranney Falls GS site in September 2020, the generator sustained damage and commissioning activities were halted. Work is underway by the vendor to repair and reassemble the unit at their own cost. Based on current technical assessments, the revised in-service date is expected to be in 2022. The project continues to track within budget.

Darlington Refurbishment

The Darlington GS generating units are approaching their originally designed end-of-life. Refurbishment of the four generating units is expected to extend the operating life of the station by at least 30 years. The refurbishment of the first unit, Unit 2, was completed in June 2020. The second unit, Unit 3, commenced refurbishment in September 2020 and is scheduled to be returned to service in the first quarter of 2024. The planning, pre-requisite and execution work for Units 3, 1 and 4 refurbishments has and will incorporate the benefits of experience with Unit 2 and additional strategic improvements. The last unit to undergo refurbishment is scheduled to be completed by the end of 2026.

Unit 3 refurbishment activities are progressing on schedule, incorporating continued COVID-19 protective measures. As part of the second segment, Disassembly, the project completed the removal of a total of 960 feeder tubes from the reactor in May 2021, and in June 2021, completed the preparatory work to support the removal of 480 fuel channel assemblies. The removal of fuel channel assemblies is in progress, with the removal of end fittings nearing completion. The removal of pressure tubes and calandria tubes is expected to commence in August 2021, and upon completion, will mark the end of the Disassembly segment.

As part of the refurbishment, OPG is progressing the reconditioning of the Unit 3 turbine generator, with the overhaul of the turbine generator and the installation of the turbine control systems upgrade completed in August 2021. Other key project activities executed during the Disassembly segment for Unit 3 included completing the drain and vacuum dry of the primary heat transport and moderator systems and continuing the major electrical scope.

Planning and pre-requisite activities for the refurbishment of subsequent units, Unit 1 and Unit 4, are progressing as planned. As of June 30, 2021, approximately $402 million has been invested in planning and pre-requisite activities related to the refurbishment of Unit 1 and Unit 4.

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

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 is focused on increasing revenue and net income and achieving 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.

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 is 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 2020 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 in Ontario for the period from January 1, 2020 to December 31, 2021 in effect as of the date of this MD&A:

($/MWh)	2020	**2021**
Regulated – Nuclear Generation		
Base regulated price [1]	85.00	**89.70**
Interim period shortfall rider [2]	5.64	**-**
Deferral and variance account rate riders [3]	4.32	**6.13**
Total regulated price	94.96	**95.83**
Regulated – Hydroelectric Generation		
Base regulated price	43.15	**43.88**
Interim period shortfall rider [2]	0.24	**-**
Deferral and variance account rate riders [3]	2.26	**2.05**
Total regulated price	45.65	**45.93**

[1] Base regulated prices for the nuclear facilities were established using a rate smoothing approach that defers 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 was collected subsequently through rate riders over the March 1, 2018 to December 31, 2020 period.

[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.

Pursuant to the OEB's March 2018 payment amounts order, $391 million of approved nuclear revenue requirement was deferred in the Rate Smoothing Deferral Account for future collection in 2020, which has helped to lower electricity prices for customers. As part of the order, the OEB also determined that no portion of the nuclear revenue requirement would be deferred in 2021. Amounts deferred in the Rate Smoothing Deferral Account are recorded as revenue in the Regulated – Nuclear Generation business segment in the period to which the underlying approved revenue requirement relates. *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.

In December 2020, OPG filed a five-year application with the OEB for new base regulated prices for production from the nuclear facilities, determined under a custom incentive regulation framework consistent with the findings in the OEB's decision on OPG's 2017-2021 application for regulated prices, with a proposed effective date of January 1, 2022. In July 2021, OPG and the intervenors in OPG's application reached a Settlement Agreement on most of the issues in the application. The Settlement Agreement was approved by the OEB on August 6, 2021, with a January 1, 2022 effective date for new regulated prices. Final regulated prices reflecting the Settlement Agreement and the OEB's findings on the unsettled issues are expected to be approved by the OEB in the second half of 2021. For further details on OPG's application and the Settlement Agreement, refer to the section, *Significant Developments* under the heading, *Settlement Agreement on OPG's Application for New Regulated Prices*.

Pursuant to *Ontario Regulation 53/05*, the base regulated price for OPG's hydroelectric electricity generation (hydroelectric base regulated price) for the period from January 1, 2022 to December 31, 2026 will be equal to the 2021 hydroelectric base regulated price, which the OEB approved at $43.88/MWh effective January 1, 2021 pursuant to the annual formulaic adjustment.

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), an agency of the Province; 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 June 30, 2021, 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 2021, DBRS confirmed OPG's issuer rating at A (low), senior unsecured debt rating at A (low) and Canadian commercial paper rating at R-1 (low), all with Stable trends.

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

Building Our Business

OPG strives to be a leader in the North American transition toward a low carbon economy while maintaining and expanding the Company's scale and energy industry leadership through the pursuit of commercial-based opportunities. Aligned with OPG's Climate Change Plan, the strategy considers the Company's financial position and encompasses the renewal and expansion of the Company's portfolio of electricity generating assets, including redevelopment of existing sites, new development and business acquisitions, as well as the expansion and innovation of the business beyond core generation operations. Opportunities are evaluated based on strategic benefits, financial returns, risk profile and operating synergies.

In May 2021, OPG entered into a memorandum of understanding with the Toronto Transit Commission (TTC) and Toronto Hydro Electric System Limited to electrify the TTC's bus fleet, North America's largest transit electrification project to date. OPG, through a wholly-owned subsidiary, will design, build, operate and maintain all charging infrastructure at the TTC's bus garages as the TTC transitions to an electric bus fleet. OPG and the TTC are continuing to work toward a formalized agreement by the end of 2021.

Small Modular Reactors

In June 2020, OPG submitted a site preparation licence renewal application to the CNSC in relation to the potential construction of new nuclear reactors at the Darlington site. The application was presented to the CNSC at a public hearing held in June 2021, with the CNSC's decision expected in the second half of 2021. The current site preparation licence expires in 2022.

In 2020, Global First Power Ltd., Ultra Safe Nuclear Corporation and OPG formed a joint venture, Global First Power Limited Partnership (GFPLP), with the goal of advancing the development of a proposed demonstrator Micro Modular Reactor (MMR™), a nuclear SMR technology, at the Canadian Nuclear Laboratories' Chalk River site, northwest of Ottawa, Ontario. In May 2021, the CNSC determined that GFPLP's preliminary submitted materials related to the application for a site preparation licence for the proposed MMR™ were sufficient for the CNSC to initiate the technical review as part of the licensing application process.

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

Operating Performance

OPG expects net income for the 2021 year to be lower relative to 2020, driven by the impact of the Company's response to the onset of COVID-19 pandemic in 2020 on the Darlington Refurbishment schedule and the associated changes in the station's cyclical maintenance outage schedule. This includes a full year of Unit 3 refurbishment in 2021, the deferral of a planned cyclical maintenance outage for Unit 1 from the fall of 2020 to February 2021, and the addition of a new planned cyclical maintenance outage for Unit 4 in the fall of 2021, all of which have or are expected to reduce electricity generation and revenue from the Regulated – Nuclear Generation business segment in 2021. The year-over-year increase in planned outage activity at the Darlington GS is also expected to continue to result in additional OM&A expenses in 2021. These impacts are expected to be partially offset by higher electricity generation and lower OM&A expenses from the Pickering GS in 2021 in line with the station's cyclical maintenance outage schedule.

The year-over-year decrease in net income for 2021 is expected to be partially offset by a full year of earnings from the increased OEB-approved nuclear rate base related to the return to service of the refurbished Unit 2 at the Darlington GS in June 2020, and a full year of earnings from the combined cycle plants acquired in April 2020. The OEB's decision on the unsettled issues in OPG's application for new regulated prices, expected in the second half of 2021, may adversely impact net income for the 2021 year.

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.

The ESAs in place for the Ontario-based non-regulated assets reported in the Contracted Hydroelectric and Other Generation business segment are expected to contribute a generally stable level of earnings in 2021 compared to 2020. Earnings from the US-based hydroelectric facilities reported in the segment are subject to variability in water flows and the impact of wholesale electricity prices on uncontracted facilities. Revenue from uncontracted US-based hydroelectric facilities continues to represent a small portion of OPG's overall revenue.

The Company's operating results in 2021 may be impacted in the event additional actions are necessary to respond to the COVID-19 pandemic.

Enterprise Total Generating Cost

OPG forecasts the Enterprise TGC to continue to be higher in 2021, compared to 2020, primarily due to lower electricity generation and additional OM&A expenses from the Darlington GS, described above.

In general, lower nuclear electricity generation due to the Darlington Refurbishment outages will continue to negatively impact the Enterprise TGC for the duration of the project. The Enterprise TGC can also be negatively affected by lower hydroelectric generation due to outages for various major rehabilitation and operational projects. Ongoing variability in sustaining capital expenditure programs, planned nuclear outages and water flows can also contribute to fluctuations in the Enterprise TGC results.

Nuclear Segregated Funds

OPG's operating results are affected by earnings on the Nuclear Segregated Funds 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 Ontario Nuclear Funds Agreement (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 net 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 June 30, 2021, the Decommissioning Segregated Fund was overfunded by approximately 40 percent and the Used Fuel Segregated Fund was overfunded by approximately 3 percent. Variability in asset performance due to volatility in financial markets and changes in Ontario CPI, including as a result of changes in economic conditions 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 required until the end of 2021, when the ONFA reference plan is next scheduled to be updated. The new ONFA reference plan and associated contribution requirements will be subject to the Province's review and approval.

Changes in funding liability estimates upon an ONFA reference plan update can result in adjustments to the values of Nuclear Segregated Fund assets reported on the consolidated balance sheet, as these values are limited to the cost estimate of the funding liability based on the most recently approved ONFA reference plan, plus a portion of the Decommissioning Segregated Fund surplus that may be directed to the Used Fuel Segregated Fund in certain circumstances. On the consolidated statements of income, such adjustments are recorded as increases or decreases to earnings on the Nuclear Segregated Funds.

In line with the next ONFA reference plan update process, OPG expects to conduct a comprehensive reassessment of the assumptions and baseline cost estimates underlying the Nuclear Liabilities recorded in the consolidated financial statements. Any resulting changes in the related asset retirement costs will be capitalized as part of the carrying amount of nuclear fixed assets in service.

Capital Expenditures

OPG's total forecasted capital expenditures for the 2021 year are approximately $2.4 billion, excluding any acquisition-related activity. The 2021 forecast is higher than the capital expenditures in 2020, excluding the acquisition of combined cycle plants in April 2020, primarily reflecting a full year of execution activities on the refurbishment of Unit 3 of the Darlington GS, advancement of the Little Long Dam Safety project to the component installation phase, the redevelopment of the Calabogie GS and planned hydroelectric asset overhaul programs.

Financing and Liquidity

The Company expects to continue to generate a lower level of cash flow from operating activities in 2021 compared to 2020, due to a reduction in electricity generation and higher OM&A expenses from the Darlington GS, described above. This is expected to be partially offset by an increase in revenue receipts from the combined cycle plants acquired in April 2020.

Taking into account the forecasted capital expenditure program for the 2021 year, OPG expects existing funding sources to continue to be sufficient to meet financing requirements and support ongoing liquidity. Further details of 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 safe, sustainable and inclusive manner is directly connected to business success and is expected by customers, the Company's stakeholders and Shareholder. 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, support reductions in greenhouse gas (GHG) emissions, and increase resilience to climate change impacts, while taking into account impacts on customers.

Environmental and Sustainability

In June 2021, OPG was named, for the ninth consecutive year, as one of the Best 50 Canadian Corporate Citizens by Corporate Knights. The annual corporate rankings are based on performance data covering resource, employee and financial management, clean revenue and investment, and supplier performance, with an emphasis on transparency, in order to recognize companies leading in sustainability.

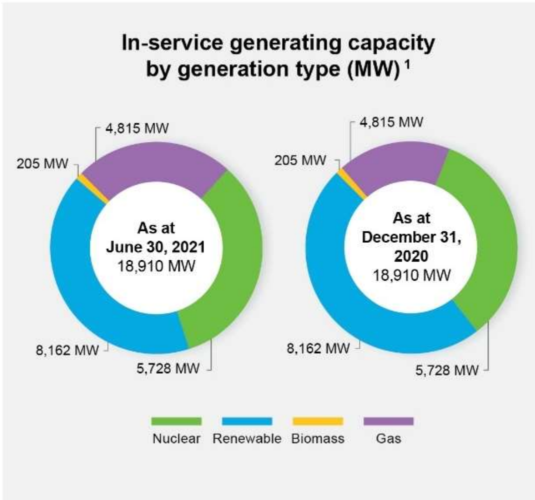
Climate Change

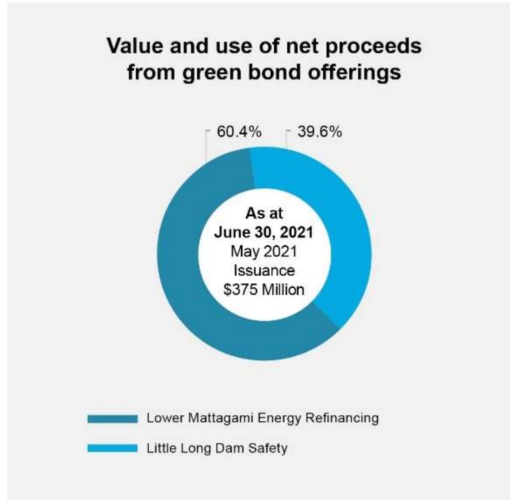
OPG's Climate Change Plan commits the Company to being a net-zero carbon company by 2040 and taking action to drive efficient, economy-wide carbon reduction in Ontario and beyond. In advancing these goals, the Company continues to seek opportunities to maximize the decarbonizing potential of its generating assets, advance the electrification of other sectors of the economy such as transportation, and invest in technologies that can make a further meaningful and immediate impact on climate change. For discussion of the actions being taken by OPG in support of the Climate Change Plan, refer to the sections, *Corporate Strategy, Core Business and Outlook*, under the heading, *Financial Strength – Building Our Business*, and *Significant Developments*, under the heading *Low-carbon Hydrogen Development.*

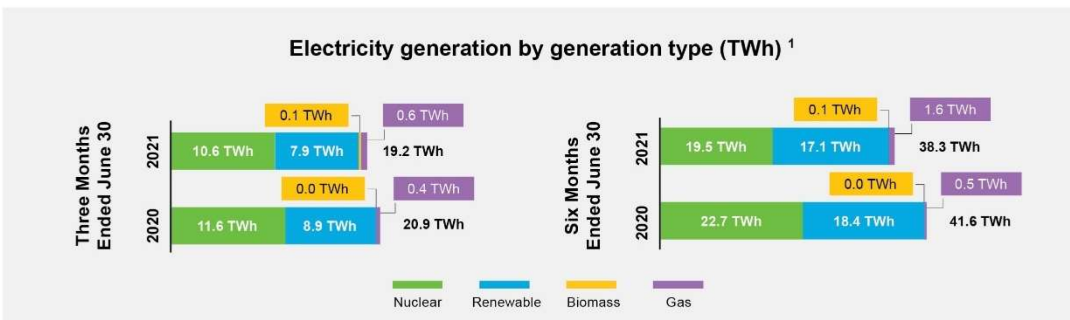
Climate-Related Performance and Key Metrics

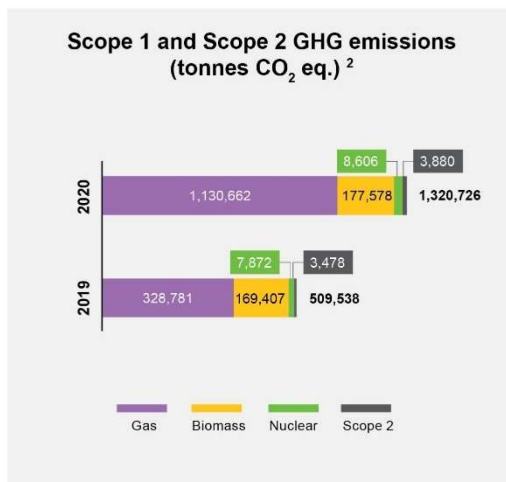
OPG continues to determine the most relevant climate-related impacts for the business in the context of its Environmental, Social, Governance and Sustainability framework and is engaged in the development of consistent industry metrics to quantify the level of achieved climate change resilience. OPG is in the process of developing such quantitative metrics and targets for climate change adaptation as part of an effort to integrate climate considerations into business processes. In the meantime, OPG has identified certain initial 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, as applicable. Gas category includes the dual-fuelled oil and gas Lennox GS and the Company's combined cycle plants operated through Atura Power.

[2] Scope 1 and Scope 2 emissions include OPG's proportionate share from co-owned facilities, as applicable.

Climate change metrics	
In-service generating capacity by generation type	Total in-service generating capacity from each of low-carbon emitting and gas generation sources as at June 30, 2021 is the same as at December 31, 2020. The gas generation assets are an important component of maintaining the reliability of Ontario's electricity system and enable intermittent sources of renewable energy such as wind and solar.
Electricity generation by generation type	During the three and six month periods ended June 30, 2021, approximately 97 and 96 percent, respectively, of OPG's total electricity generation was supplied by low-carbon sources. Electricity generation from low-carbon sources decreased compared to the same periods in 2020, primarily due to lower electricity generation from the Darlington GS and the impact of lower water flows on hydroelectric electricity production.
Revenue by facility category	Revenue from low-carbon generation decreased for the three and six month periods ended June 30, 2021, compared to the same periods in 2020, primarily due to lower revenue from the Regulated – Nuclear Generation business segment as a result of lower electricity generation. Increased revenue from gas generation was due to the acquisition of combined cycle plants in April 2020.
Value and use of net proceeds from green bond offerings	In May 2021, LME completed a private placement bond offering with the issuance of $375 million of green bonds. The net proceeds from the issuance have been allocated to refinancing of LME's outstanding bonds at maturity and the Little Long Dam Safety project under OPG's Green Bond Framework.
Scope 1 GHG emissions – Direct and atmospheric emission rate	The Scope 1 GHG emissions metric identifies direct carbon dioxide equivalent (CO_2 eq.) emissions from OPG's thermal and nuclear operations in Ontario, including the Company's proportionate share from co-owned combined cycle plants prior to acquiring the remaining interest. For the year ended December 31, 2020, 1,308,240 tonnes of CO_2 eq. (2019 – 498,188 tonnes of CO_2 eq.) were emitted by thermal operations, representing approximately 99 percent of OPG's total CO_2 eq. emissions, with the remainder emitted by nuclear operations. The increase in CO_2 eq. emissions in 2020 was primarily due to the acquisition of combined cycle plants in April 2020, which increased OPG's electricity generation. Atura Power is pursuing opportunities to reduce GHG emissions at the combined cycle plants where technologically and economically feasible. For the year ended December 31, 2020, OPG emitted CO_2 eq. at an average rate of 16.0 grams per kilowatt-hour (kWh) of its total electricity generation (2019 – 6.5 grams per kWh).
Scope 2 GHG emissions	The Scope 2 GHG emissions metric identifies indirect CO_2 eq. emissions from the purchase of energy from utility providers. For the year ended December 31, 2020, an estimated 3,880 tonnes of CO_2 eq. (2019 – 3,478 tonnes of CO_2 eq.) were emitted based on purchases of electricity.

Scope 1 and Scope 2 GHG emissions are reported annually, and data for 2021 will be available in the second quarter of 2022.

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. 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 is advancing its corporate commitment to ED&I through comprehensive programming and adherence to the values set out in the Company's Code of Business Conduct. During the second quarter of 2021, OPG continued to engage stakeholders across the enterprise on its ED&I strategy and is incorporating feedback received to date to ensure the Company's approach responds to and incorporates employee experiences and perspectives.

OPG continues to deliver interactive ED&I training to employees. The majority of senior leaders have now completed the sexual and gender-based harassment and discrimination training introduced earlier in the year. Plans are underway to expand this training to a broader group of employees, including front line supervisors. Additionally, the majority of OPG's employees have completed a redesigned all-employee equity census launched in the first quarter of 2021. This information will help the Company to improve critical demographic data, inform ED&I programming and close gaps in workforce representation.

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 proximate to the Company's present and future operations.

OPG continues to engage and consult with Indigenous communities on its projects and initiatives. This includes continuing to hold community environmental and employment forums with the Moose Cree First Nation, the Taykwa Tagamou Nation and the Métis on a plan to improve dam safety along the Lower Mattagami River in northeastern Ontario, primarily through the Little Long Dam Safety project. OPG also continues to consult with Indigenous communities throughout the Calabogie GS redevelopment project, including the Algonquins of Ontario, Algonquins of Pikwakanagan First Nation, and four Williams Treaties First Nations. The Algonquins of Ontario, the Algonquins of Pikwakanagan First Nation and the Curve Lake First Nation have signed construction agreements with OPG that outline mutually agreed upon processes for continued engagement. The remaining Williams Treaties First Nation communities continue to engage on the redevelopment of the Calabogie GS.

OPG continues to proactively engage Williams Treaties First Nations, the Mohawks of the Bay of Quinte, and Métis Nation of Ontario, Region 8 on the Company's plans for construction of an SMR at the Darlington site. During the second quarter of 2021, interventions were received from the Curve Lake First Nation and the Mohawks of the Bay of Quinte in connection with the Company's site preparation licence renewal application and associated CNSC hearing held in June 2021. These interventions will assist OPG in strengthening its engagement with Indigenous communities on the project. OPG is also engaging with Williams Treaties First Nations and the Mohawks of the Bay of Quinte regarding pending changes to the federal *Fisheries Act*.

The health and safety of Indigenous communities continues to be a priority for OPG. OPG recognizes that many Indigenous communities are especially vulnerable to the effects of outbreaks such as COVID-19 and continues to take active measures to support their health and safety. During the second quarter of 2021, OPG donated $235,000 to several Indigenous communities and organizations and $200,000 to the Thunder Bay-based Regional Food Distribution Association of Northwestern Ontario, to purchase and distribute emergency food supplies.

DISCUSSION OF OPERATING RESULTS BY BUSINESS SEGMENT

Regulated – Nuclear Generation Segment

(millions of dollars – except where noted)	Three Months Ended June 30 2021	2020	Six Months Ended June 30 2021	2020
Electricity Generation (TWh)	**10.6**	11.6	**19.5**	22.7
Revenue	**1,055**	1,155	**2,001**	2,282
Fuel expense	**70**	76	**129**	152
Gross margin	**985**	1,079	**1,872**	2,130
Operations, maintenance and administration expenses	**550**	559	**1,196**	1,135
Property taxes	**6**	6	**13**	13
Earnings before interest, income taxes, depreciation and amortization	**429**	514	**663**	982
Depreciation and amortization expenses	**145**	205	**290**	409
Earnings before interest and income taxes	**284**	309	**373**	573

Earnings before interest and income taxes from the segment decreased by $25 million and $200 million for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020.

The decreases in segment earnings were primarily due to lower revenue as a result of lower electricity generation of 1.0 TWh and 3.2 TWh during the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. Additionally, the decreases in revenue reflected lower amounts of $97 million and $195 million, respectively, recorded in the Rate Smoothing Deferral Account during the three and six month periods ended June 30, 2021, partially offset by $50 million and $93 million, respectively, from a higher OEB-approved nuclear base regulated price.

Segment OM&A expenses increased by $61 million for the six months ended June 30, 2021, primarily due to the deferral of a planned cyclical maintenance outage for Unit 1 of the Darlington GS from the fall of 2020 to February 2021 in response to the COVID-19 pandemic.

The above factors were partially offset by higher non-electricity generation revenue of $16 million and $25 million for the three and six month periods ended June 30, 2021, respectively, primarily due to increased heavy water detritiation services, and lower fuel expense due to lower electricity generation.

A decrease in depreciation and amortization expenses of $74 million and $147 million for the three and six month periods ended June 30, 2021, respectively, excluding amortization expense related to the recovery of regulatory account balances, was primarily due to depreciation expense recorded as recoverable from customers in regulatory accounts in connection with differences in the current accounting end-of-life assumptions for the Pickering GS from those assumed in the nuclear base regulated price effective January 1, 2021. The nuclear base regulated price reflects recovery of a lower amount of depreciation expense related to the Pickering GS as it was set on the basis of a December 31, 2020 accounting end-of-life date for the station in effect at the time of OPG's application to the OEB for the 2017-2021 base regulated prices. Subsequent to the OEB's decision on the application, the Company achieved sufficient confidence to extend the station's end-of-life assumptions beyond December 31, 2020. The resulting differences in depreciation expense over the period are recorded in OEB-authorized regulatory accounts.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Planned Outage Days				
Darlington GS [1]	**23.7**	2.1	**79.1**	2.2
Pickering GS	**77.0**	99.5	**199.2**	205.1
Unplanned Outage Days				
Darlington GS [1]	**15.9**	1.9	**31.8**	4.1
Pickering GS	**10.9**	10.9	**39.5**	15.2

[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 for the three and six month periods ended June 30, 2021, compared to the same periods in 2020, primarily due to the deferral of a planned cyclical maintenance outage for Unit 1 of the Darlington GS from the fall of 2020 to February 2021 in response to the COVID-19 pandemic.

The decrease in planned outage days at the Pickering GS for the three and six month periods ended June 30, 2021, compared to the same periods in 2020, was primarily due to the station's cyclical maintenance outage schedule and planned maintenance and repair work executed in the second quarter of 2020.

The increase in unplanned outage days at the Darlington GS for the three months ended June 30, 2021, compared to the same period in 2020, was primarily due to non-routine instrumentation maintenance work at the station. The increase in unplanned outage days at the Darlington GS for the six months ended June 30, 2021, compared to the same period in 2020, was also due to unplanned fuel handling maintenance activities at the station.

Unplanned outage days at the Pickering GS increased for the six months ended June 30, 2021, compared to the same period in 2020, primarily due to unplanned fuel handling maintenance activities at the station during the first quarter of 2021.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Unit Capability Factor *(%)* [1]				
Darlington GS	**85.8**	93.8	**79.7**	96.3
Pickering GS	**84.0**	80.0	**78.1**	79.9

[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 and six month periods ended June 30, 2021, compared to the same periods in 2020, primarily due to a higher number of planned and unplanned outage days.

The Unit Capability Factor at the Pickering GS increased for the three months ended June 30, 2021, compared to the same period in 2020, primarily due to fewer planned outage days. The Unit Capability Factor at the Pickering GS decreased for the six months ended June 30, 2021, compared to the same period in 2020, primarily due to a higher number of unplanned outage days.

Regulated – Nuclear Waste Management Segment

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2021**	**2020**	**2021**	**2020**
Revenue	**49**	32	**94**	69
Operations, maintenance and administration expenses	**49**	32	**94**	69
Accretion on nuclear fixed asset removal and nuclear waste management liabilities	**268**	261	**538**	522
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(240)**	(288)	**(479)**	(459)
(Loss) earnings before interest and income taxes	**(28)**	27	**(59)**	(63)

The segment earnings before interest and income taxes decreased by $55 million for the three months ended June 30, 2021, compared to the same period in 2020, primarily due to lower earnings on the Nuclear Segregated Funds. The lower earnings on the Nuclear Segregated Funds were largely due to an increase in the market value of investments held in the Used Fuel Segregated Fund during the second quarter of 2020. Earnings on the Used Fuel Segregated Fund in the second quarter of 2020 were impacted by changes in the market value of investments as the fund was in an underfunded position. As both the Decommissioning Segregated Fund and the Used Fuel Segregated Fund were in an overfunded position during the three and six month periods ended June 30, 2021, the earnings on the Nuclear Segregated Funds were not impacted by market returns or the rate of return guarantee provided by the Province for a portion of the Used Fuel Segregated Fund. The Decommissioning Segregated Fund was also in an overfunded position during the three and six month periods ended June 30, 2020. The increase in the market value of investments held in the Used Fuel Segregated Fund during the second quarter of 2020 reflected an improvement in financial market conditions following a temporary weakening upon the onset of the COVID-19 pandemic.

The segment earnings before interest and income taxes increased by $4 million for the six months ended June 30, 2021, compared to the same period in 2020, primarily due to higher earnings from the Nuclear Segregated Funds reflecting the growth in the present value of the underlying funding liabilities per the current approved ONFA reference plan in effect, largely offset by higher accretion on the Nuclear Liabilities due to the increase in the present value of the underlying obligation to reflect the passage of time.

When both the Decommissioning Segregated Fund and the Used Fuel Segregated Fund are in an overfunded position, OPG limits the amount of fund assets reported on the consolidated balance sheet to the present value of the funding liabilities per the most recently approved ONFA reference plan. Further details on the accounting for the Nuclear Segregated Funds can be found in the section, *Critical Accounting Policies and Estimates* in OPG's 2020 annual MD&A.

Regulated – Hydroelectric Generation Segment

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2021**	**2020**	**2021**	**2020**
Electricity generation (TWh)	**6.6**	7.5	**14.5**	15.7
Revenue [1]	**427**	416	**815**	808
Fuel expense	**87**	94	**156**	161
Gross margin	**340**	322	**659**	647
Operations, maintenance and administration expenses	**83**	72	**175**	146
Property tax	**1**	1	**1**	1
Other losses	**1**	-	**1**	-
Earnings before interest, income taxes, depreciation and amortization	**255**	249	**482**	500
Depreciation and amortization expenses	**54**	53	**106**	107
Earnings before interest and income taxes	**201**	196	**376**	393

[1] During the three and six month periods ended June 30, 2021, the Regulated – Hydroelectric Generation business segment revenue included incentive payments of $6 million and $10 million, respectively, related to the OEB-approved hydroelectric incentive mechanism (three and six month periods ended June 30, 2020 – nil and $2 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.

Earnings before interest and income taxes from the segment increased by $5 million for the three months ended June 30, 2021, compared to the same period in 2020. The increase was mainly due to higher revenue, reflecting higher hydroelectric incentive mechanism payments and other revenues and an increase in the hydroelectric base regulated price effective January 1, 2021. The increase in the hydroelectric base regulated price was approved by the OEB in December 2020 pursuant to an annual formulaic adjustment. The increase in segment earnings was partially offset by an increase in OM&A expenses from an increase in project expenses.

The decrease in segment earnings before interest and income taxes of $17 million for the six months ended June 30, 2021, compared to the same period in 2020, was mainly due to higher OM&A expenses from an increase in project expenses and the deferral of certain planned maintenance activities from 2020 in response to the onset of the COVID-19 pandemic. These factors were partially offset by higher revenue, reflecting an increase in the hydroelectric base regulated price.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Hydroelectric Availability *(%)* [1]	**88.8**	91.9	**90.3**	90.9

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

The Hydroelectric Availability decreased for the three and six month periods ended June 30, 2021, compared to the same periods in 2020, primarily due to higher planned outage days from deferring certain planned maintenance and project activities from 2020 in response to the onset of the COVID-19 pandemic, partially offset by fewer unplanned outage days across the regulated hydroelectric fleet.

Contracted Hydroelectric and Other Generation Segment

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2021**	**2020**	**2021**	**2020**
Electricity Generation (TWh)	**1.4**	1.4	**2.7**	2.7
Revenue	**167**	164	**348**	338
Fuel expense	**12**	10	**23**	20
Gross margin	**155**	154	**325**	318
Operations, maintenance and administration expenses	**57**	56	**116**	110
Accretion on fixed asset removal liabilities	**1**	1	**3**	3
Property taxes	**4**	4	**8**	9
Income from investments subject to significant influence	**(1)**	-	**(2)**	(1)
Other losses (gains)	**1**	(2)	**3**	(3)
Earnings before interest, income taxes, depreciation and amortization	**93**	95	**197**	200
Depreciation and amortization expenses	**37**	43	**74**	84
Earnings before interest and income taxes	**56**	52	**123**	116

Earnings before interest and income taxes from the segment increased by $4 million and $7 million for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. The increases were primarily due to lower depreciation expense, reflecting updated estimates of fixed asset useful lives for the US-based hydroelectric facilities, and higher revenue from the Ontario-based thermal and solar assets. For the six months ended June 30, 2021, the increase was partially offset by higher OM&A expenses at the Lennox GS.

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 June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Hydroelectric Availability *(%)* [1,2]	**89.6**	83.8	**87.7**	86.7
Thermal EFOR *(%)* [2]	**2.4**	4.8	**2.5**	4.6

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 six month periods ended June 30, 2021, compared to the same periods in 2020, primarily due to fewer unplanned outage days at the Lower Mattagami generating stations in northeastern Ontario.

The Thermal EFOR decreased for the three and six month periods ended June 30, 2021, compared to the same periods in 2020, primarily due to fewer unplanned outage days at the Lennox GS.

Contracted Gas Generation Segment

(millions of dollars – except where noted)	Three Months Ended June 30 2021	Three Months Ended June 30 2020	Six Months Ended June 30 2021	Six Months Ended June 30 2020
Electricity Generation (TWh)	**0.6**	0.4	**1.6**	0.5
Revenue	**143**	101	**302**	117
Fuel expense	**34**	19	**79**	19
Gross margin	**109**	82	**223**	98
Operations, maintenance and administration expenses	**15**	13	**32**	16
Accretion on fixed asset removal liabilities	**1**	-	**1**	-
Income from investments subject to significant influence	**-**	(3)	**-**	(10)
Property taxes	**-**	1	**1**	1
Earnings before interest, income taxes, depreciation and amortization	**93**	71	**189**	91
Depreciation and amortization expenses	**27**	21	**55**	25
Earnings before interest and income taxes	**66**	50	**134**	66

Earnings before interest and income taxes from the segment increased by $16 million and $68 million for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020, primarily 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 prior to acquiring the remaining 50 percent interest is reported as segment income from investments subject to significant influence in the comparative period.

The Thermal Availability for the assets within the Contracted Gas Generation business segment was as follows:

	Three Months Ended June 30 2021	Three Months Ended June 30 2020	Six Months Ended June 30 2021	Six Months Ended June 30 2020
Thermal Availability *(%)* [1]	**92.9**	94.3	**92.9**	94.3

[1] Thermal Availability is defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*, and reflects the results of facilities for the periods they were wholly owned by the Company. In the first quarter of 2021, Thermal Availability replaced Thermal EFOR as the operating performance indicator for the Company's combined cycle plants reported in the Contracted Gas Generation business segment, consistent with the requirements under the facilities' respective ESAs or other long-term contracts. The measure is calculated on a three-year rolling average basis.

The Thermal Availability decreased during the three and six month periods ended June 30, 2021, compared to the same periods in 2020, primarily due to the impact of planned outages at the combined cycle plants included in the segment.

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 six month periods ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
(millions of dollars)	**2021**	**2020**	**2021**	**2020**
Cash, cash equivalents and restricted cash, beginning of period	**834**	1,128	**725**	498
Cash flow provided by operating activities	**524**	823	**1,076**	1,540
Cash flow used in investing activities	**(472)**	(3,173)	**(699)**	(3,632)
Cash flow (used in) provided by financing activities	**(29)**	2,200	**(244)**	2,568
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**-**	(7)	**(1)**	(3)
Net increase (decrease) in cash, cash equivalents and restricted cash	**23**	(157)	**132**	473
Cash, cash equivalents and restricted cash, end of period	**857**	971	**857**	971

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 by $2,701 million and $2,933 million during the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020, primarily due to the acquisition of a portfolio of combined cycle plants in April 2020.

Financing Activities

Cash flow provided by financing activities decreased by $2,229 million and $2,812 million for the three and six month periods ended June 30, 2021, respectively, compared to the same periods in 2020. The decreases in both periods were primarily due to higher net issuance of short-term debt and higher issuances of long-term debt in 2020. The decrease for the three months ended June 30, 2021 was partially offset by higher repayments of long-term debt.

As at June 30, 2021, the Company had the following committed credit facilities:

(millions of dollars)		**Amount**
Bank facilities:		
Corporate [1]		**1,000**
Corporate	US Dollars	**750**
Lower Mattagami Energy Limited Partnership [2]		**400**
OPG Eagle Creek Holdings LLC and subsidiaries	US Dollars	**25**
OEFC facility [3]		**300**

[1] In the second quarter of 2021, OPG extended the credit facility to have a maturity date of May 2026.
[2] A letter of credit of $55 million was outstanding under this facility as at June 30, 2021.
[3] Represents amounts available under the facility, net of debt issuances.

Short-term debt, letters of credit and guarantees were as follows:

	As At	
(millions of dollars)	**June 30 2021**	**December 31 2020**
Lower Mattagami Energy Limited Partnership	**75**	131
Corporate commercial paper	**293**	919
Total short-term debt	**368**	1,050
Letters of credit	**604**	607
Guarantees	**4**	4

As of June 30, 2021, a total of $604 million of Letters of Credit had been issued. This included $428 million for the supplementary pension plans, $54 million for OPG Eagle Creek Holdings LLC and its subsidiaries, $55 million for LME, $44 million for general corporate purposes, $16 million for UMH Energy Partnership, $6 million for Atura Power and $1 million for PSS Generating Station Limited Partnership.

Long-term debt balances as of June 30, 2021 and December 31, 2020 were as follows: [1]

	As At	
(millions of dollars)	**June 30 2021**	**December 31 2020**
Notes payable to the OEFC	**2,800**	2,875
Medium Term Notes payable	**4,350**	3,850
Project financing	**2,621**	2,591
Other	**25**	25
	9,796	9,341

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

Share Capital

As at June 30, 2021, and December 31, 2020, 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 June 30, 2021, and December 31, 2020, OPG had 18,343,815 Class A shares issued and outstanding at a stated value of $787 million. OPG is entitled to redeem outstanding Class A shares as may be approved by OPG's Board of Directors.

BALANCE SHEET HIGHLIGHTS

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

(millions of dollars)	As At June 30 2021	As At December 31 2020
Nuclear fixed asset removal and nuclear waste management funds *(current and non-current portions)* 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.	**19,477**	19,096
Short-term debt *(current and non-current portions)* The decrease was mainly due to net repayments made under the Company's corporate commercial paper program.	**368**	1,050
Long-term debt *(current and non-current portions)* The increase was mainly due to the issuance of $500 million of bonds under the Medium Term Note program in February 2021 and the issuance of $375 million of green bonds by LME in May 2021, net of debt repayments.	**9,768**	9,332
Fixed asset removal and nuclear waste management liabilities The increase was primarily a result of accretion expense, partially offset by expenditures on fixed asset removal and nuclear waste management activities.	**23,332**	22,947

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 guarantees and long-term contracts.

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, 2020. A discussion of recent accounting pronouncements is included in Note 2 of OPG's unaudited interim consolidated financial statements as at and for the three and six month periods ended June 30, 2021. OPG's critical accounting policies are consistent with those noted in OPG's 2020 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 2020 annual MD&A.

Risks to Achieving Operational Excellence

OPG is exposed to a range of operational risks associated with its existing assets that could adversely impact generation output, safety performance and operating results. The operational risks of a station include aspects such as occupational safety, resourcing, equipment reliability, human performance, climate change, regulatory requirements and technology.

Cyber Security	OPG's operations depend, in part, on the efficient operation and management of the Company's complex information technology and operational systems in a secure, vigilant and resilient manner that minimizes cyber risks. Cyber security incidents may have an adverse impact on OPG's energy production, public and employee safety, and reputation. During the second quarter of 2021, there has been an increase in the frequency of reported ransomware attacks against corporations, including a specific event targeting the energy industry through Colonial Pipeline Company in the United States. OPG continuously monitors, assesses and improves the effectiveness of its cyber security strategies and programs, considering leading industry practices, and remains proactive in information and intelligence sharing to learn from and adapt to the changing cyber environment. This includes performing periodic assessments of the Company's cyber risk profile and effectiveness of controls. OPG also continues to identify and resolve any potential vulnerabilities to reduce the likelihood of a successful cyber attack against its systems or data.
COVID-19 Pandemic	The Company continues to monitor developments relating to the COVID-19 pandemic and mitigate associated risks to the health and safety of its workers, operations and projects. While the number of new reported COVID-19 cases in Ontario has declined and significant progress has been made in abating the pandemic with increased vaccination coverage, uncertainties remain regarding the pandemic's future course and impact, including transmission and vaccination rates in communities where OPG operates and potential impacts of the virus variants. Although OPG's core business has not been significantly affected by the pandemic, the Company's risks related to the COVID-19 pandemic include: the health and safety of employees; disruption to the supply chain; impacts on viability of contractors, vendors and project partners; and impacts on wholesale electricity prices in US markets. Where possible, the Company continues to take necessary actions to mitigate risks posed by the pandemic to its workers while supporting the safe and reliable operation of the plants. OPG will continue to monitor and, as necessary, adjust strategies to minimize the impact of the pandemic on the organization, including making enhancements to business continuity plans based on experience to date. The cumulative impact of incremental operating costs and lost revenues related to the pandemic has not been material to the Company's financial results since the pandemic's initial onset in the first quarter of 2020. Additional details are included in the section, *Corporate Strategy, Core Business and Outlook* under the heading, *Electricity Generation Production and Reliability*.

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 changes in market prices of electricity, renewal of energy supply contracts, and differences in realized economic value from acquisitions and other investments.

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 June 30, 2021 was $591 million, including $569 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.

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.

	2021 [1]	2022	2023
Estimated fuel requirements hedged [2]	**76%**	**80%**	**78%**

[1] Based on actual fuel requirements hedged for the six months ended June 30, 2021 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.

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 June 30			
	2021		2020	
(millions of dollars)	**Income**	**Expense**	**Income**	**Expense**
Hydro One				
Electricity sales	**1**	**-**	1	-
Services	**-**	**2**	-	2
Dividends	**2**	**-**	1	-
Province of Ontario				
Change in Decommissioning Segregated Fund amount due to Province [1]	**-**	**411**	-	644
Change in Used Fuel Segregated Fund amount due to Province [1]	**-**	**509**	-	786
Hydroelectric gross revenue charge	**-**	**24**	-	27
OEFC				
Hydroelectric gross revenue charge	**-**	**47**	-	53
Interest expense on long-term notes	**-**	**26**	-	31
Income taxes	**-**	**171**	-	153
Property taxes	**-**	**3**	-	3
IESO				
Electricity-related revenue	**1,592**	**-**	1,586	-
Fair Hydro Trust				
Interest income	**8**	**-**	8	-
	1,603	**1,193**	1,596	1,699

[1] The Nuclear Segregated Funds are reported on the 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 June 30, 2021 and December 31, 2020, the Nuclear Segregated Funds were reported net of amounts due to the Province of $7,656 million and $6,714 million, respectively.

	Six Months Ended June 30			
	2021		2020	
(millions of dollars)	**Income**	**Expense**	**Income**	**Expense**
Hydro One				
Electricity sales	**4**	**-**	3	-
Services	**-**	**4**	-	4
Dividends	**3**	**-**	3	-
Province of Ontario				
Change in Decommissioning Segregated Fund amount due to Province [1]	**-**	**406**	253	-
Change in Used Fuel Segregated Fund amount due to Province [1]	**-**	**536**	301	-
Hydroelectric gross revenue charge	**-**	**53**	-	55
OEFC				
Hydroelectric gross revenue charge	**-**	**86**	-	91
Interest expense on long-term notes	**-**	**52**	-	63
Income taxes	**-**	**235**	-	253
Property taxes	**-**	**6**	-	6
IESO				
Electricity-related revenue	**3,117**	**-**	3,091	-
Fair Hydro Trust				
Interest income	**16**	**-**	16	-
	3,140	**1,378**	3,667	472

[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 June 30, 2021 and December 31, 2020, the Nuclear Segregated Funds were reported net of amounts due to the Province of $7,656 million and $6,714 million, respectively.

Balances between OPG and its related parties are summarized below:

(millions of dollars)	**June 30 2021**	**December 31 2020**
Receivables from related parties		
Hydro One	**-**	1
IESO – Electricity related receivables	**569**	487
Fair Hydro Trust	**4**	4
OEFC	**18**	-
Province of Ontario	**13**	-
Loan receivable		
Fair Hydro Trust	**912**	913
Equity securities		
Hydro One shares	**160**	172
Accounts payable, accrued charges and other payables		
Hydro One	**-**	2
OEFC	**70**	88
Province of Ontario	**4**	7
IESO – Electricity related payables	**2**	6
Long-term debt (including current portion)		
Notes payable to OEFC	**2,800**	2,875

OPG may hold Province of Ontario bonds and treasury bills in the Nuclear Segregated Funds and the OPG registered pension fund. As at June 30, 2021, the Nuclear Segregated Funds held $1,726 million of Province of Ontario bonds (December 31, 2020 – $1,601 million) and $13 million of Province of Ontario treasury bills (December 31, 2020 – $10 million). As of June 30, 2021, the registered pension fund held $54 million of Province of Ontario bonds (December 31, 2020 − $50 million) and $8 million of Province of Ontario treasury bills (December 31, 2020 – nil). 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.

QUARTERLY FINANCIAL HIGHLIGHTS

The following tables set out selected quarterly 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)*	**June 30 2021**	**March 31 2021**	**December 31 2020**	**September 30 2020**
Electricity generation (*TWh*)	**19.2**	19.1	19.2	21.3
Revenue	**1,804**	1,691	1,782	1,889
Net income	**522**	295	211	390
Less: Net income attributable to non-controlling interest	**4**	5	3	4
Net income attributable to the Shareholder	**518**	290	208	386
Earnings per share, attributable to the Shareholder *(dollars)*	**$1.89**	$1.06	$0.76	$1.41

(millions of dollars – except where noted) *(unaudited)*	**June 30 2020**	**March 31 2020**	**December 31 2019**	**September 30 2019**
Electricity generation (*TWh*)	20.9	20.7	19.4	19.1
Revenue	1,849	1,720	1,522	1,508
Net income	462	313	247	323
Less: Net income attribute to the non-controlling interest	4	4	4	4
Net income attributable to the Shareholder	458	309	243	319
Earnings per share, attributable to the Shareholder *(dollars)*	$1.67	$1.13	$0.88	$1.16

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 business 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

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 June 30, 2021, 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

Equivalent forced outage rate 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.

Thermal Availability

Thermal Availability represents the percentage of time a generating unit at Atura Power's combined cycle gas turbine facilities is capable of providing service, whether or not it is actually generating electricity, compared to the total time for the respective period, averaged by the number of facilities owned and operated through Atura Power. The measure is calculated on a three-year rolling average basis.

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 net income and other financial information in accordance with US GAAP, certain non-GAAP financial measures are also presented in this 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) 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 activities, 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 six month periods ended June 30, 2021 and June 30, 2020:

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2021**	**2020**	**2021**	**2020**
Enterprise TGC				
Total OM&A expenses	**700**	684	**1,512**	1,392
Total fuel expense	**203**	199	**387**	352
Total capital expenditures	**485**	385	**906**	834
Less: Darlington Refurbishment capital and OM&A costs	**(229)**	(185)	**(413)**	(456)
Less: Capital and OM&A costs for generation development and other major projects and for business development activities	**(108)**	(29)	**(195)**	(57)
Add / (Less): OM&A and fuel expenses deferred in (refundable through) regulatory accounts	**35**	(46)	**80**	(74)
Less: Nuclear fuel expense for non OPG-operated stations	**(20)**	(15)	**(41)**	(30)
Add: Hydroelectric gross revenue charge and water rental payments for electricity generation forgone due to SBG conditions	**12**	20	**17**	26
Less: OM&A expenses ancillary to electricity generation business	**(5)**	(5)	**(8)**	(9)
Less: OM&A expenses and capital expenditures related to US operations	**(23)**	(26)	**(47)**	(55)
Other adjustments	**(3)**	(2)	**(8)**	(6)
	1,047	980	**2,190**	1,917
Adjusted electricity generation *(TWh)*				
Total OPG electricity generation	**19.2**	20.9	**38.3**	41.6
Adjust for electricity generation forgone due to SBG conditions, OPG's share of electricity generation from co-owned facilities and US operations	**0.4**	1.4	**0.2**	1.2
	19.6	22.3	**38.5**	42.8
Enterprise TGC per MWh *($/MWh)* [1]	**53.48**	43.81	**56.88**	44.72

[1] Amounts may not calculate due to rounding.

(2) 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.

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

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ONTARIO POWER GENERATION INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

JUNE 30, 2021

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(millions of dollars except where noted)	**Three Months Ended June 30** **2021**	**2020**	**Six Months Ended June 30** **2021**	**2020**
Revenue	**1,804**	1,849	**3,495**	3,569
Fuel expense	**203**	199	**387**	352
Gross margin	**1,601**	1,650	**3,108**	3,217
Operations, maintenance and administration expenses	**700**	684	**1,512**	1,392
Depreciation and amortization expenses	**277**	334	**555**	648
Accretion on fixed asset removal and nuclear waste management liabilities	**271**	264	**544**	528
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(240)**	(288)	**(479)**	(459)
Property taxes	**11**	13	**24**	25
Income from investments subject to significant influence	**(1)**	(3)	**(2)**	(11)
	1,018	1,004	**2,154**	2,123
Income before other gains, interest and income taxes	**583**	646	**954**	1,094
Other gains *(Note 12)*	**(116)**	(5)	**(119)**	(9)
Income before interest and income taxes	**699**	651	**1,073**	1,103
Net interest expense *(Note 6)*	**54**	77	**114**	129
Income before income taxes	**645**	574	**959**	974
Income tax expense	**123**	112	**142**	199
Net income	**522**	462	**817**	775
Net income attributable to the Shareholder	**518**	458	**808**	767
Net income attributable to non-controlling interest	**4**	4	**9**	8
Basic and diluted earnings per share *(dollars) (Note 14)*	**1.89**	1.67	**2.94**	2.79

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(millions of dollars)	Three Months Ended June 30 2021	Three Months Ended June 30 2020	Six Months Ended June 30 2021	Six Months Ended June 30 2020
Net income	**522**	462	**817**	775
Other comprehensive (loss) income, net of income taxes *(Note 9)*				
Reclassification to income of amounts related to pension and other post-employment benefits [1]	**3**	2	**8**	5
Reclassification to income of losses on derivatives designated as cash flow hedges [2]	**3**	4	**6**	7
Net gain on derivatives designated as cash flow hedges [3]	**-**	2	**-**	2
Currency translation adjustment	**(23)**	(68)	**(43)**	75
Other comprehensive (loss) income for the period	**(17)**	(60)	**(29)**	89
Comprehensive income	**505**	402	**788**	864
Comprehensive income attributable to the Shareholder	**501**	398	**779**	856
Comprehensive income attributable to non-controlling interest	**4**	4	**9**	8

[1] Net of income tax expense of $2 million and $1 million for the three months ended June 30, 2021 and 2020, respectively. Net of income tax expense of $3 million and $2 million for the six months ended June 30, 2021 and 2020, respectively.

[2] Net of income tax expense of $1 million and nil for the three months ended June 30, 2021 and 2020, respectively. Net of income tax expense of $1 million for each of the six month periods ended June 30, 2021 and 2020.

[3] Net of income tax expense of $1 million for the three and six month periods ended June 30, 2020.

See accompanying notes to the interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Six Months Ended June 30 *(millions of dollars)*	**2021**	**2020**
Operating activities		
Net income	**817**	775
Adjust for non-cash items:		
Depreciation and amortization expenses	**555**	648
Accretion on fixed asset removal and nuclear waste management liabilities	**544**	528
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(479)**	(459)
Pension and other post-employment benefit costs *(Note 10)*	**229**	222
Deferred income tax expense	**41**	32
Regulatory assets and regulatory liabilities	**(171)**	18
Other gains	**(117)**	(6)
Other	**2**	(12)
Expenditures on fixed asset removal and nuclear waste management	**(227)**	(215)
Reimbursement of eligible expenditures on nuclear fixed asset removal and nuclear waste management	**95**	69
Contributions to pension funds and expenditures on other post-employment benefits and supplementary pension plans	**(158)**	(144)
Distributions received from investments subject to significant influence	**-**	14
Net changes to other long-term assets and long-term liabilities	**17**	28
Net changes to non-cash working capital balances *(Note 17)*	**(72)**	42
Cash flow provided by operating activities	**1,076**	1,540
Investing activities		
Investment in property, plant and equipment and intangible assets	**(919)**	(818)
Proceeds from settlement related to acquired natural gas-fired assets *(Note 18)*	**220**	-
Acquisition of natural gas-fired assets, net of cash acquired	**-**	(2,814)
Cash flow used in investing activities	**(699)**	(3,632)
Financing activities		
Net (repayment) issuance of short-term debt *(Note 7)*	**(689)**	1,346
Net proceeds from issuance of long-term debt *(Note 6)*	**868**	1,595
Repayment of long-term debt *(Note 6)*	**(414)**	(364)
Distribution to non-controlling interest	**(9)**	(9)
Cash flow (used in) provided by financing activities	**(244)**	2,568
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(1)**	(3)
Net increase in cash, cash equivalents and restricted cash	**132**	473
Cash, cash equivalents and restricted cash, beginning of period	**725**	498
Cash, cash equivalents and restricted cash, end of period	**857**	971

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As At *(millions of dollars)*	**June 30 2021**	**December 31 2020**
Assets		
Current assets		
Cash, cash equivalents and restricted cash *(Note 4)*	**857**	725
Equity securities	**160**	172
Receivables from related parties	**604**	492
Nuclear fixed asset removal and nuclear waste management funds	**42**	46
Fuel inventory	**276**	236
Materials and supplies	**90**	92
Regulatory assets *(Note 5)*	**266**	533
Prepaid expenses	**141**	145
Other current assets	**126**	114
	2,562	2,555
Property, plant and equipment	**41,229**	40,555
Less: accumulated depreciation	**11,204**	10,745
	30,025	29,810
Intangible assets	**799**	783
Less: accumulated amortization	**342**	312
	457	471
Goodwill	**157**	162
Other assets		
Nuclear fixed asset removal and nuclear waste management funds	**19,435**	19,050
Loan receivable from related party	**912**	913
Long-term materials and supplies	**432**	404
Regulatory assets *(Note 5)*	**8,676**	8,571
Investments subject to significant influence	**37**	37
Other long-term assets	**190**	100
	29,682	29,075
	62,883	62,073

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As At *(millions of dollars)*	**June 30 2021**	**December 31 2020**
Liabilities		
Current liabilities		
Accounts payable, accrued charges and other payables	**1,292**	1,257
Short-term debt *(Note 7)*	**368**	1,050
Long-term debt due within one year *(Note 6)*	**214**	439
Regulatory liabilities *(Note 5)*	**133**	266
	2,007	3,012
Long-term debt *(Note 6)*	**9,554**	8,893
Other liabilities		
Fixed asset removal and nuclear waste management liabilities *(Note 8)*	**23,332**	22,947
Pension liabilities	**4,870**	5,005
Other post-employment benefit liabilities	**3,444**	3,406
Long-term accounts payable and accrued charges	**359**	269
Deferred revenue	**387**	391
Deferred income taxes	**1,539**	1,379
Regulatory liabilities *(Note 5)*	**1,081**	1,239
	35,012	34,636
Equity		
Common shares *(Note 13)*	**5,126**	5,126
Class A shares *(Note 13)*	**787**	787
Contributed surplus	**35**	36
Retained earnings	**10,587**	9,779
Accumulated other comprehensive loss *(Note 9)*	**(403)**	(374)
Equity attributable to the Shareholder	**16,132**	15,354
Equity attributable to non-controlling interest	**178**	178
Total equity	**16,310**	15,532
	62,883	62,073

Commitments and Contingencies *(Notes 6, 7, 10 and 15)*

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)

Six Months Ended June 30 *(millions of dollars)*	**2021**	**2020**
Common shares *(Note 13)*	**5,126**	5,126
Class A shares *(Note 13)*	**787**	787
Contributed surplus		
Balance at beginning of period	**36**	39
Reclassification to income of amounts related to gain on deconsolidation of Fair Hydro Trust	**(1)**	-
Balance at end of period	**35**	39
Retained earnings		
Balance at beginning of period	**9,779**	8,418
Net income attributable to the Shareholder	**808**	767
Balance at end of period	**10,587**	9,185
Accumulated other comprehensive loss, net of income taxes *(Note 9)*		
Balance at beginning of period	**(374)**	(277)
Other comprehensive (loss) income	**(29)**	89
Balance at end of period	**(403)**	(188)
Equity attributable to the Shareholder	**16,132**	14,949
Equity attributable to non-controlling interest		
Balance at beginning of period	**178**	182
Income attributable to non-controlling interest	**9**	8
Distribution to non-controlling interest	**(9)**	(9)
Balance at end of period	**178**	181
Total equity	**16,310**	15,130

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

These interim consolidated financial statements for the three and six month periods ended June 30, 2021 and 2020 include the accounts of Ontario Power Generation Inc. (OPG or 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, 2020.

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 prepared in accordance with 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 2020 comparative amounts have been reclassified from consolidated financial statements previously presented to conform to the 2021 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 fiscal year.

Recent Accounting Pronouncements Not Yet Adopted

Changes to Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (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.

3. AGREEMENT TO ACQUIRE US HYDROELECTRIC PLANT

In February 2021, OPG entered into an agreement to acquire, through OPG Eagle Creek Holdings LLC, a 48 megawatts hydroelectric facility in the US for approximately US$90 million, subject to customary working capital and other adjustments. The closing of the transaction is subject to Federal Energy Regulatory Commission and other customary approvals.

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

As At *(millions of dollars)*	**June 30 2021**	**December 31 2020**
Cash and cash equivalents	**839**	717
Restricted cash	**18**	8
Total cash, cash equivalents and restricted cash	**857**	725

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

5. REGULATORY ASSETS AND REGULATORY LIABILITIES

The regulatory assets and regulatory liabilities consist of the following:

As At *(millions of dollars)*	**June 30 2021**	**December 31 2020**
Regulatory assets		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Versus Accrual Differential Deferral Account	**935**	921
Rate Smoothing Deferral Account	**519**	508
Hydroelectric Surplus Baseload Generation Variance Account	**459**	481
Pension and OPEB Cost Variance Account	**209**	350
Bruce Lease Net Revenues Variance Account	**157**	166
Other variance and deferral accounts [1]	**74**	42
	2,353	2,468
Pension and OPEB Regulatory Asset *(Note 10)*	**5,067**	5,199
Deferred Income Taxes	**1,522**	1,437
Total regulatory assets	**8,942**	9,104
Less: current portion	**266**	533
Non-current regulatory assets	**8,676**	8,571
Regulatory liabilities		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Payment Variance Account	**486**	481
Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account	**290**	416
Hydroelectric Water Conditions Variance Account	**172**	240
Capacity Refurbishment Variance Account	**81**	161
Other variance and deferral accounts [2]	**185**	207
Total regulatory liabilities	**1,214**	1,505
Less: current portion	**133**	266
Non-current regulatory liabilities	**1,081**	1,239

[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, the Pickering Closure Costs 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 Payment Differential Carrying Charges Variance Account and the Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account.

In December 2020, OPG filed a five-year application with the OEB for new base regulated prices for production from the Company's nuclear facilities, with a proposed effective date of January 1, 2022. Additionally, the application included a request for new rate riders to recover or repay the December 31, 2019 balances in most of the Company's regulatory accounts, less amounts previously approved for recovery or repayment through rate riders in effect to December 31, 2021, as well as the continuation of all applicable existing deferral and variance accounts. In July 2021, OPG and the intervenors in OPG's application reached a proposed settlement on most of the issues in the application (Settlement Agreement). The Settlement Agreement was submitted for approval to the OEB on July 16, 2021. An oral hearing on the unsettled issues was held between August 4, 2021 and August 6, 2021. On August 6, 2021, the OEB issued an oral decision approving the Settlement Agreement. Final regulated prices to be approved by the OEB will reflect the Settlement Agreement and the OEB's pending decision on the unsettled issues. Pursuant to the Settlement Agreement, the new regulated prices will be effective January 1, 2022. The Settlement Agreement did not impact OPG's financial results for the three and six month periods ended June 30, 2021.

Subject to the OEB's decision on an unsettled issue relating to the in-service capital additions for the Heavy Water Storage and Drum Handling Facility and associated regulatory account balances, the Settlement Agreement includes recovery of a net total of $702 million comprising amounts recorded in the regulatory accounts as at December 31, 2019 and associated income tax impacts, including for the Pension & OPEB Cash Versus Accrual Differential Deferral Account, without adjustments. These balances will be recovered or repaid effective January 1, 2022 over periods ranging from three to five years. Additionally, the Settlement Agreement defers the clearance of a portion equal to $40 million of amounts recorded as recoverable from customers in the Hydroelectric Surplus Baseload Generation Variance Account as at December 31, 2019 to a future proceeding. The income tax impacts included for recovery were previously recorded as part of the regulatory asset for deferred income taxes.

As part of the Settlement Agreement, OPG will credit ratepayers with $47 million related to the difference between the Company's net favourable electricity revenue impact and incremental operations, maintenance and administration expenses arising from the pandemic response over 2020 and 2021. The Company expects to report a corresponding increase in regulatory liabilities and a reduction in net income related to these impacts during the third quarter of 2021. Upon the OEB's approval of the Settlement Agreement, OPG ceased being subject to the deferral account for recording lost revenues and incremental costs related to the COVID-19 pandemic that was established by the OEB in March 2020.

6. LONG-TERM DEBT AND NET INTEREST EXPENSE

Long-term debt consist of the following:

As At *(millions of dollars)*	**June 30 2021**	**December 31 2020**
Senior notes payable to the Ontario Electricity Financial Corporation	**2,800**	2,875
Medium Term Note Program senior notes	**4,350**	3,850
UMH Energy Partnership senior notes	**171**	172
PSS Generating Station Limited Partnership senior notes	**245**	245
Lower Mattagami Energy Limited Partnership senior notes	**1,745**	1,595
Brighton Beach Power Limited Partnership senior notes	**-**	86
OPG Eagle Creek Holdings LLC and subsidiaries senior notes	**460**	493
Other	**25**	25
	9,796	9,341
Less: net fair value premium	**12**	24
Less: unamortized bond issuance fees	**(40)**	(33)
Less: amounts due within one year	**(214)**	(439)
Long-term debt	**9,554**	8,893

OPG repaid long-term debt of $75 million to the Ontario Electricity Financial Corporation (OEFC) during the six months ended June 30, 2021.

On February 2, 2021, OPG issued $500 million of bonds under the Company's Medium Term Note Program, maturing in February 2051 with a coupon interest rate of 2.95 percent.

On May 14, 2021, OPG's wholly-owned Lower Mattagami Energy Limited Partnership (LME) completed a private placement bond offering with the issuance of $375 million of green bonds, maturing in May 2031 with a coupon interest rate of 2.43 percent. On May 18, 2021, LME repaid senior notes totalling $225 million that had matured.

On June 30, 2021, OPG repaid the remaining $81 million of senior notes payable by Brighton Beach Power Limited Partnership.

Net Interest Expense

The following table summarizes the net interest expense:

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	**2021**	**2020**	**2021**	**2020**
Interest on long-term debt	**90**	95	**185**	184
Interest on short-term debt	**3**	5	**5**	9
Interest income	**(10)**	(12)	**(19)**	(24)
Interest capitalized to property, plant and equipment and intangible assets	**(19)**	(24)	**(35)**	(85)
Interest related to regulatory assets and regulatory liabilities [1]	**(10)**	13	**(22)**	45
Net interest expense	**54**	77	**114**	129

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

7. SHORT-TERM DEBT

Committed credit facilities and maturity dates as at June 30, 2021 were as follows:

(millions of dollars)		**Amount**	**Maturity**
Bank facilities:			
Corporate		**1,000**	May 2026 [1]
Corporate	US Dollars	**750**	November 2021 [1, 2]
Lower Mattagami Energy Limited Partnership		**400**	August 2022 and August 2024 [3]
OPG Eagle Creek Holdings LLC and subsidiaries	US Dollars	**25**	August 2022 and October 2028 [4]
OEFC facility [5]		**300**	December 2021

[1] These credit facilities contain a sustainability-linked feature that allows reduced pricing if the Company meets certain sustainability targets. In the second quarter of 2021, OPG extended the $1B credit facility to have a maturity date of May 2026.
[2] The facility has a one-year extension option beyond the maturity date of November 2021.
[3] 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 June 30, 2021 and December 31, 2020.
[4] Of the total credit facility, $5 million matures in August 2022 and $20 million matures in October 2028.
[5] Represents amounts available under the facility, net of debt issuances.

Short-term debt consist of the following:

As At *(millions of dollars)*	**June 30 2021**	**December 31 2020**
Lower Mattagami Energy Limited Partnership	**75**	131
Corporate commercial paper	**293**	919
Total short-term debt	**368**	1,050

As of June 30, 2021, a total of $604 million of Letters of Credit had been issued (December 31, 2020 – $607 million). As of June 30, 2021, this included $428 million for the supplementary pension plans, $54 million for OPG Eagle Creek Holdings LLC and its subsidiaries, $55 million for LME, $44 million for general corporate purposes, $16 million for UMH Energy Partnership, $6 million for Atura Power, and $1 million for PSS Generating Station Limited Partnership.

For the six months ended June 30, 2021, net repayment of short-term debt totalled $689 million (June 30, 2020 – net issuance of $1,346 million), which was comprised of issuances of $2,123 million (June 30, 2020 – $5,156 million) and repayments of $2,812 million (June 30, 2020 – $3,810 million).

The weighted average interest rate on the short-term debt as of June 30, 2021 is 0.23 percent (December 31, 2020 – 0.29 percent).

8. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT LIABILITIES

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

As At *(millions of dollars)*	**June 30 2021**	**December 31 2020**
Liability for used nuclear fuel management	**13,851**	13,589
Liability for nuclear decommissioning and nuclear low and intermediate level waste management	**9,185**	9,032
Liability for non-nuclear fixed asset removal	**296**	326
Fixed asset removal and nuclear waste management liabilities	**23,332**	22,947

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Six Months Ended June 30, 2021			
(millions of dollars)	**Unrealized Gains and Losses on Cash Flow Hedges**	**Pension and OPEB**	**Currency Translation Adjustment**	**Total**
AOCL, beginning of period	**(18)**	**(296)**	**(60)**	**(374)**
Amounts reclassified from AOCL	**6**	**8**	**-**	**14**
Translation of foreign operations	**-**	**-**	**(43)**	**(43)**
Other comprehensive income (loss) for the period	**6**	**8**	**(43)**	**(29)**
AOCL, end of period	**(12)**	**(288)**	**(103)**	**(403)**

	Six Months Ended June 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	7	5	-	12
Translation of foreign operations	-	-	75	75
Other comprehensive income for the period	9	5	75	89
AOCL, end of period	(24)	(208)	44	(188)

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

(millions of dollars)	**Amount Reclassified from AOCL** **Three Months Ended June 30, 2021**	**Six Months Ended June 30, 2021**	**Statement of Income Line Item**
Amortization of losses from cash flow hedges			
Losses	**4**	**7**	Net interest expense
Income tax recovery	**(1)**	**(1)**	Income tax expense
	3	**6**	
Amortization of amounts related to pension and OPEB			
Actuarial losses, net of past service credits	**5**	**11**	See (1) below
Income tax recovery	**(2)**	**(3)**	Income tax expense
	3	**8**	
Total reclassifications for the period	**6**	**14**	

(millions of dollars)	**Amount Reclassified from AOCL** **Three Months Ended June 30, 2020**	**Six months Ended June 30, 2020**	**Statement of Income Line Item**
Amortization of losses from cash flow hedges			
Losses	4	8	Net interest expense
Income tax recovery	-	(1)	Income tax expense
	4	7	
Amortization of amounts related to pension and OPEB			
Actuarial losses, net of past service credits	3	7	See (1) below
Income tax recovery	(1)	(2)	Income tax expense
	2	5	
Total reclassifications for the period	6	12	

[1] These AOCL components are included in the computation of pension and OPEB costs (see Note 10 for additional details).

Existing pre-tax net losses for derivatives of $12 million deferred in AOCL as at June 30, 2021 are expected to be reclassified to net income within the next 12 months.

10. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

OPG's pension and other post-employment benefit (OPEB) costs for the three months ended June 30, 2021 and 2020 are as follows:

	Registered Pension Plans		**Supplementary Pension Plans**		**Other Post-Employment Benefits**	
(millions of dollars)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Components of Cost Recognized for the period						
Current service costs	**92**	84	**2**	2	**25**	22
Interest on projected benefit obligation	**105**	132	**3**	3	**19**	25
Expected return on plan assets, net of expenses	**(215)**	(217)	**-**	-	**-**	-
Amortization of past service credits [1]	**-**	-	**-**	-	**(1)**	(1)
Amortization of net actuarial loss [1]	**68**	41	**3**	2	**1**	-
Costs recognized [2]	**50**	40	**8**	7	**44**	46

[1] The net impact of amortization of net actuarial loss and the amortization of past service credits is recognized as an increase to other comprehensive income. This increase for the three months ended June 30, 2021 was partially offset by a decrease in the Pension and OPEB Regulatory Asset of $66 million (three months ended June 30, 2020 – $39 million).

[2] Pension and OPEB costs for the three months ended June 30, 2021 exclude the net addition of costs of $12 million resulting 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 June 30, 2020 – net addition of costs of $19 million).

OPG's OPEB costs for the six months ended June 30, 2021 and 2020 are as follows:

	Registered Pension Plans		**Supplementary Pension Plans**		**Other Post-Employment Benefits**	
(millions of dollars)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Components of cost recognized for the period						
Current service costs	**184**	169	**4**	4	**48**	44
Interest on projected benefit obligation	**211**	265	**5**	6	**39**	49
Expected return on plan assets, net of expenses	**(430)**	(435)	**-**	-	**-**	-
Amortization of past service credits [1]	**-**	-	**-**	-	**(1)**	(1)
Amortization of net actuarial loss [1]	**136**	81	**5**	4	**3**	-
Costs recognized [2]	**101**	80	**14**	14	**89**	92

[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 six months ended June 30, 2021 was partially offset by a net decrease in the Pension and OPEB Regulatory Asset of $132 million (six months ended June 30, 2020 – $77 million).

[2] Pension and OPEB costs for the six months ended June 30, 2021 exclude the net addition of costs of $25 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 (six months ended June 30, 2020 − $36 million).

11. 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 debt issuances, fuels and certain materials and services purchased for generating stations and major development projects may be 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 in Ontario. 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 was $1 million as at June 30, 2021 and December 31, 2020.

The fair value of the derivative instruments totalled a net asset of $1 million as at June 30, 2021 (December 31, 2020 net liability − $14 million).

12. 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 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 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.

OPG's financial instruments and their fair value as at June 30, 2021 and December 31, 2020 consist of the following:

	Fair Value		Carrying Value [1]		
(millions of dollars)	**2021**	**2020**	**2021**	**2020**	**Balance Sheet Line Item**
Nuclear Segregated Funds (includes current portion) [2]	**19,477**	19,096	**19,477**	19,096	Nuclear fixed asset removal and nuclear waste management funds
Loan receivable - from Fair Hydro Trust	**949**	1,017	**912**	913	Loan receivable
Investment in Hydro One Limited shares	**160**	172	**160**	172	Equity securities
Payable related to cash flow hedges	**(12)**	(16)	**(12)**	(16)	Long-term accounts payable and accrued charges
Long-term debt (includes current portion)	**(10,868)**	(11,160)	**(9,768)**	(9,332)	Long-term debt
Other financial instruments	**136**	30	**136**	30	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 ONFA 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)*	June 30, 2021 Level 1	 Level 2	 Level 3	 Total
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**6,946**	**5,999**	**-**	**12,945**
Investments measured at NAV [1]				**2,408**
				15,353
Due to Province				**(4,301)**
Used Fuel Segregated Fund, net				**11,052**
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**5,301**	**4,561**	**-**	**9,862**
Investments measured at NAV [1]				**1,918**
				11,780
Due to Province				**(3,355)**
Decommissioning Segregated Fund, net				**8,425**
Equity securities	**160**	**-**	**-**	**160**
Other financial assets	**103**	**6**	**36**	**145**
Liabilities				
Other financial liabilities	**(8)**	**(1)**	**-**	**(9)**

As At *(millions of dollars)*	December 31, 2020 Level 1	 Level 2	 Level 3	 Total
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	6,660	5,780	-	12,440
Investments measured at NAV [1]				2,176
				14,616
Due to Province				(3,765)
Used Fuel Segregated Fund, net				10,851
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	5,144	4,315	-	9,459
Investments measured at NAV [1]				1,735
				11,194
Due to Province				(2,949)
Decommissioning Segregated Fund, net				8,245
Equity securities	172	-	-	172
Other financial assets	1	1	46	48
Liabilities				
Other financial liabilities	(18)	-	-	(18)

[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 six months ended June 30, 2021, the Company transferred $19 million between Level 3 to Level 1. The transfer resulted from an equity investment that became publicly traded during the second quarter of 2021. As at June 30, 2021, the investment was valued using the active market price, resulting in a pre-tax gain of $83 million recognized in the interim consolidated statements of income for the three and six month periods ended June 30, 2021. The investment is included within Other long-term assets on the consolidated balance sheets.

The changes in the net assets measured at fair value that are classified as Level 3 financial instruments for the six months ended June 30, 2021 were as follows:

(millions of dollars)	**Other financial instruments**
Opening balance, January 1, 2021	**46**
Transfers	**(19)**
Unrealized gains included in revenue	**8**
Realized losses included in revenue	**(2)**
Purchases	**3**
Closing balance, June 30, 2021	**36**

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 classes of investments within the Nuclear Segregated Funds that are reported on the basis of Net Asset Value (NAV) as at June 30, 2021 were as follows:

(millions of dollars except where noted)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice**
Real Assets				
Infrastructure	**2,437**	**1,016**	**n/a**	**n/a**
Real Estate	**1,729**	**897**	**n/a**	**n/a**
Agriculture	**160**	**16**	**n/a**	**n/a**
Pooled Funds				
Short-term Investments	**18**	**n/a**	**Daily**	**1-5 days**
Fixed Income	**2,184**	**n/a**	**Daily**	**1-5 days**
Equity	**1,094**	**n/a**	**Daily**	**1-5 days**
Total	**7,622**	**1,929**		

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.

13. SHARE CAPITAL

Common Shares

As at June 30, 2021, and December 31, 2020, 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 June 30, 2021, and December 31, 2020, OPG had 18,343,815 Class A shares issued and outstanding at a stated value of $787 million.

14. 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 June 30, 2021 and December 31, 2020 was 274.6 million. There were no dilutive securities during the three or six month periods ended June 30, 2021 and for the year ended December 31, 2020.

15. COMMITMENTS AND CONTINGENCIES

Litigation

In 2006, OPG was served with a Notice of Action and Statement of Claim filed with the Ontario Superior Court of Justice by British Energy Limited and British Energy International Holdings Limited (together, British Energy). The action claimed contribution and indemnity from OPG for any amounts British Energy was found liable for in an arbitration commenced against it by the purchasers of British Energy's interest in Bruce Power L.P. (the Claimants) regarding an alleged breach of British Energy's representations and warranties (the Arbitration). Both the action and the Arbitration related to corrosion to a steam generator unit discovered after OPG leased the Bruce nuclear generating stations to Bruce Power L.P.

In 2012, the arbitrator found that British Energy was liable to the Claimants for some of the damages they claimed. In September 2014, British Energy amended its Statement of Claim (Amended Claim) to reflect that the Claimants 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". OPG defended the claim, and the parties exchanged documentary productions.

A pre-trial was held on May 31, 2021. Shortly thereafter, the parties reached a settlement of British Energy's claim. The action will be dismissed following payment of the settlement amount within 45 days of executing the settlement agreement. The settlement does not have a material impact on the Company's consolidated financial statements.

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 June 30, 2021 and December 31, 2020, the total amount of guarantees provided by OPG was $4 million. As at June 30, 2021, 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 June 30, 2021 were as follows:

(millions of dollars)	**2021**[1]	**2022**	**2023**	**2024**	**2025**	**Thereafter**	**Total**
Fuel supply agreements	73	128	106	46	34	18	405
Contributions to the OPG registered pension plan [2]	94	193	-	-	-	-	287
Long-term debt repayment	112	179	44	607	575	8,279	9,796
Interest on long-term debt	182	355	347	336	322	4,940	6,482
Short-term debt repayment	368	-	-	-	-	-	368
Commitments related to Darlington Refurbishment project [3]	221	-	-	-	-	-	221
Operating licences	22	47	47	48	49	51	264
Operating lease obligations	4	10	7	6	4	20	51
Accounts payable and accrued charges	1,121	-	-	-	-	-	1,121
Other	76	18	11	12	12	100	229
Total	2,273	930	562	1,055	996	13,408	19,224

[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.

16. BUSINESS SEGMENTS

Segment Income (Loss) For the Three Months Ended June 30, 2021 *(millions of dollars)*	Regulated			Unregulated				
	Nuclear Generation	Nuclear Waste Management	Hydroelectric Generation	Contracted Hydroelectric and Other Generation	Contracted Gas Generation	Other	Elimination	Total
Revenue	1,048	-	427	167	143	2	-	1,787
Leasing revenue	6	-	-	-	-	3	-	9
Other revenue	1	49	-	-	-	25	(67)	8
Total revenue	1,055	49	427	167	143	30	(67)	1,804
Fuel expense	70	-	87	12	34	-	-	203
Gross margin	985	49	340	155	109	30	(67)	1,601
Operations, maintenance and administration expenses	550	49	83	57	15	13	(67)	700
Depreciation and amortization expenses	145	-	54	37	27	14	-	277
Accretion on fixed asset removal and nuclear waste management liabilities	-	268	-	1	1	1	-	271
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(240)	-	-	-	-	-	(240)
Property taxes	6	-	1	4	-	-	-	11
Income from investments subject to significant influence	-	-	-	(1)	-	-	-	(1)
Other loss (gains)	-	-	1	1	-	(118)	-	(116)
Income (loss) before interest and income taxes	284	(28)	201	56	66	120	-	699
Net interest expense								54
Income before income taxes								645
Income tax expense								123
Net income								522

Segment Income For the Three Months Ended June 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	1,148	-	416	164	101	1	-	1,830
Leasing revenue	7	-	-	-	-	3	-	10
Other revenue	-	32	-	-	-	24	(47)	9
Total revenue	1,155	32	416	164	101	28	(47)	1,849
Fuel expense	76	-	94	10	19	-	-	199
Gross margin	1,079	32	322	154	82	28	(47)	1,650
Operations, maintenance and administration expenses	559	32	72	56	13	(1)	(47)	684
Depreciation and amortization expenses	205	-	53	43	21	12	-	334
Accretion on fixed asset removal and nuclear waste management liabilities	-	261	-	1	-	2	-	264
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(288)	-	-	-	-	-	(288)
Property taxes	6	-	1	4	1	1	-	13
Income from investments subject to significant influence	-	-	-	-	(3)	-	-	(3)
Other gains	-	-	-	(2)	-	(3)	-	(5)
Income before interest and income taxes	309	27	196	52	50	17	-	651
Net interest expense								77
Income before income taxes								574
Income tax expense								112
Net income								462

Segment Income (Loss) For the Six Months Ended June 30, 2021 *(millions of dollars)*	Regulated			Unregulated				
	Nuclear Generation	Nuclear Waste Management	Hydroelectric Generation	Contracted Hydroelectric and Other Generation	Contracted Gas Generation	Other	Elimination	Total
Revenue	1,987	-	815	348	302	7	-	3,459
Leasing revenue	13	-	-	-	-	7	-	20
Other revenue	1	94	-	-	-	49	(128)	16
Total revenue	2,001	94	815	348	302	63	(128)	3,495
Fuel expense	129	-	156	23	79	-	-	387
Gross margin	1,872	94	659	325	223	63	(128)	3,108
Operations, maintenance and administration expenses	1,196	94	175	116	32	27	(128)	1,512
Depreciation and amortization expenses	290	-	106	74	55	30	-	555
Accretion on fixed asset removal and nuclear waste management liabilities	-	538	-	3	1	2	-	544
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(479)	-	-	-	-	-	(479)
Property taxes	13	-	1	8	1	1	-	24
Income from investments subject to significant influence	-	-	-	(2)	-	-	-	(2)
Other loss (gains)	-	-	1	3	-	(123)	-	(119)
Income (loss) before interest and income taxes	373	(59)	376	123	134	126	-	1,073
Net interest expense								114
Income before income taxes								959
Income tax expense								142
Net income								817

Segment Income (Loss) For the Six Months Ended June 30, 2020 *(millions of dollars)*	**Regulated** Nuclear Generation	**Regulated** Nuclear Waste Management	**Regulated** Hydroelectric Generation	**Unregulated** Contracted Hydroelectric and Other Generation	**Unregulated** Contracted Gas Generation	**Unregulated** Other	Elimination	Total
Revenue	2,269	-	808	338	117	2	-	3,534
Leasing revenue	13	-	-	-	-	8	-	21
Other revenue	-	69	-	-	-	41	(96)	14
Total revenue	2,282	69	808	338	117	51	(96)	3,569
Fuel expense	152	-	161	20	19	-	-	352
Gross margin	2,130	69	647	318	98	51	(96)	3,217
Operations, maintenance and administration expenses	1,135	69	146	110	16	12	(96)	1,392
Depreciation and amortization expenses	409	-	107	84	25	23	-	648
Accretion on fixed asset removal and nuclear waste management liabilities	-	522	-	3	-	3	-	528
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(459)	-	-	-	-	-	(459)
Property taxes	13	-	1	9	1	1	-	25
Income from investments subject to significant influence	-	-	-	(1)	(10)	-	-	(11)
Other gains	-	-	-	(3)	-	(6)	-	(9)
Income (loss) before interest and income taxes	573	(63)	393	116	66	18	-	1,103
Net interest expense								129
Income before income taxes								974
Income tax expense								199
Net income								775

17. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	Six Months Ended June 30	
(millions of dollars)	**2021**	**2020**
Receivables from related parties	**(112)**	(111)
Fuel inventory	**(40)**	(21)
Materials and supplies	**12**	14
Prepaid expenses	**(14)**	(6)
Other current assets	**11**	(7)
Accounts payable, accrued charges and other payables	**71**	173
Net changes in non-cash working capital balances	**(72)**	42

18. SETTLEMENT AGREEMENT RELATED TO ACQUIRED NATURAL GAS-FIRED ASSETS IN ONTARIO

In April 2020, OPG, under a wholly-owned subsidiary operating as Atura Power, acquired a portfolio of combined cycle natural gas-fired plants in Ontario from TC Energy Corporation (TC Energy) for approximately $2.8 billion. The transaction was treated as an asset acquisition, as substantially all of the fair value of the assets acquired was concentrated within the plant assets. In connection with the closing of the acquisition, certain post-closing activities at the acquired Napanee GS were identified as an obligation of TC Energy, including remediation of certain plant asset components. The fair value of the property, plant and equipment acquired was recorded on OPG's consolidated balance sheet reflecting future operations of Napanee GS assuming successful remediation of the plant asset components.

Following a period of negotiations, in March 2021, Atura Power and TC Energy executed a settlement agreement for a reduction of $220 million to the purchase price consideration in exchange for the settlement of certain post-closing terms and conditions, including TC Energy's obligations in respect of post-closing activities at the Napanee GS. The proceeds received under the settlement agreement were recorded as a reduction to net assets in the first quarter of 2021, with no immediate income statement impact.

19. COVID-19

The outbreak of the disease caused by a novel strain of coronavirus, identified as COVID-19, since the beginning of 2020 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 periods of 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.