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May 10, 2022

OPG REPORTS 2022 FIRST QUARTER FINANCIAL RESULTS

Continues parallel refurbishment of two Darlington Units; Progresses clean nuclear energy development and introduces green hydrogen project

Toronto – Ontario Power Generation Inc. (OPG or Company) today reported its financial and operating results for the first quarter of 2022, with net income attributable to the Shareholder of $503 million, compared to $290 million for the same period last year.

First quarter highlights include:

Darlington Refurbishment

“Refurbishment of Darlington nuclear generating station’s (Darlington GS) Units 3 and 1 continues according to plan, as the project, for the first time, refurbishes two units concurrently,” said Ken Hartwick, OPG President and CEO. “We are seeing the results of the extensive planning for this project before execution began, and of the incorporation of innovation and lessons learned as we move through the refurbishment. This combination is proving key to our success.”

Fuel channels are currently being installed in Unit 3, while the team works to ensure Unit 1, which was recently defueled, is separated from station containment to allow disassembly to begin.

OPG progresses new nuclear at Darlington

OPG recently awarded a contract to E.S. Fox Limited for the first phase of site preparation and support infrastructure for the Darlington New Nuclear Project with early site preparation expected to begin later this year.

“This early work sets the stage for deployment of the type of clean, safe new electricity generation Ontario needs as demand begins to rise due to electrification,” said Hartwick. “We look forward to seeing the site begin to take shape as OPG paves the way for the next generation of nuclear power in Ontario.”

In April 2022, OPG and Tennessee Valley Authority (TVA), a US-based electric utility corporation, announced a pioneering partnership to develop advanced nuclear technology as an integral part of a clean energy future and creating a North American energy hub. OPG and TVA entered into a collaborative agreement to coordinate their explorations into the design, licensing, construction and operation of small modular reactors. The agreement will help to reduce the financial risk that comes from development of innovative technology, as well as future deployment costs.

Atura Power announces hydrogen production

OPG subsidiary Atura Power recently announced it has selected the Niagara Region as its first site for large-scale hydrogen production, pending an award of federal funding. The Niagara Hydrogen Centre will use a 20 MW electrolyzer to produce green hydrogen, which uses water and electricity as inputs.

"Hydrogen has the potential to be the low carbon fuel to help us reach net-zero and Ontario's clean electricity system can power its production," said Hartwick. "OPG's Climate Change plan pledged to drive innovation toward a cleaner future for Ontarians, and the work Atura Power is doing as a catalyst for Ontario's hydrogen economy is a critical step to get us there."

Net income attributable to the Shareholder

Net income attributable to the Shareholder increased during the first quarter of 2022 compared to the same period in 2021, due to the impact of higher nuclear base regulated prices effective January 1, 2022 resulting from the Ontario Energy Board's (OEB) decisions on OPG's application for new regulated prices for its nuclear electricity generation for the 2022-2026 period issued in the second half of 2021. Also contributing to the increase was higher electricity generation from the regulated nuclear stations during the first quarter of 2022 compared to the same period in 2021, due to fewer planned and unplanned outages.

Generating and Operating Performance

Electricity generated in the first quarter of 2022 was 21.2 terawatt hours (TWh) compared to 19.1 TWh for the same quarter in 2021. The increase in generation was primarily due to higher electricity generated from the Regulated – Nuclear Generation and Atura Power business segments.

Regulated – Nuclear Generation Segment

Electricity generation from the regulated nuclear stations increased by 1.3 TWh during the first quarter of 2022, compared to the same quarter in 2021. The increase was primarily due to fewer planned cyclical maintenance outages days and fewer unplanned outages at both the Darlington GS and Pickering GS. The increase was partially offset by the commencement of refurbishment activities for Unit 1 of the Darlington GS, which was taken offline in mid-February 2022.

The unit capability factor at the Darlington GS increased to 99.9 per cent for the first quarter of 2022, compared to 73.6 per cent for the same quarter in 2021, reflecting fewer planned and unplanned outage days at the station. The unit capability factor at the Pickering nuclear generating station (Pickering GS) increased to 83.5 per cent for the first quarter of 2022, compared to 72.2 per cent for the same quarter in 2021, due to fewer planned and unplanned outage days at the station. The nuclear unit capability factor excludes Darlington GS Units that are undergoing refurbishment.

Regulated – Hydroelectric Generation Segment

Electricity generation from the regulated hydroelectric stations during the first quarter of 2022 was comparable to the same quarter in 2021. Availability at the regulated hydroelectric stations decreased to 88.6 per cent for the first quarter of 2022, compared to 91.8 per cent for the same quarter in 2021. The decrease was largely due to higher unplanned outages at the regulated hydroelectric stations in the Niagara Region and higher planned outages at the regulated hydroelectric stations in the Eastern Region.

Contracted Hydroelectric and Other Generation Segment

Electricity generation from the Contracted Hydroelectric and Other Generation business segment decreased by 0.3 TWh in the first quarter of 2022 compared to the same quarter in 2021, primarily due to lower water flows in the United States.

Availability of the hydroelectric stations in the segment increased to 88.7 per cent for the first quarter of 2022 compared to 85.8 per cent in the same quarter of 2021, primarily due to fewer unplanned outages at the Lower Mattagami hydroelectric generating stations in Ontario.

Atura Power Segment

Electricity generation from the combined cycle gas turbine (combined cycle) plants increased by 1.0 TWh in the first quarter of 2022 compared to the same quarter in 2021, primarily due to higher electricity demand in the Ontario market. Thermal Availability in the business segment decreased marginally to 93.1 per cent in the first quarter of 2022 from 93.9 per cent for the same quarter in 2021, primarily due to a planned outage at the Napanee GS, which commenced at the end of the first quarter of 2022.

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 first quarter of 2022 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.

In February 2022, OPG commenced the refurbishment of Unit 1 of the Darlington GS. The first major segment of the Unit 1 refurbishment is progressing as planned, with defueling of the reactor completed in April 2022. The project commenced the islanding of Unit 1 immediately following the completion of defueling the reactor. Once refurbished, Unit 1 is scheduled to be returned to service in the second quarter of 2025.

Unit 3 refurbishment activities are progressing on schedule. The Unit 3 refurbishment is currently in the third major segment, Reassembly, which involves the installation and reassembly of reactor components, including new feeder tubes and fuel channel assemblies. In March 2022, the project completed the calandria tube installation series, with the fuel channel installation series targeting completion in the second half of 2022. The upper and middle feeder installation series is also continuing, with the installation of 960 new feeder tubes being completed in two segments, starting with the upper and middle feeders and followed by the lower feeders. Once refurbished, Unit 3 is expected to be returned to service by the first quarter of 2024.

Planning and pre-requisite activities for the refurbishment of the last unit to undergo refurbishment, 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.

Further details on the Company's major projects can be found in Management's Discussion and Analysis as at and for the three months ended March 31, 2022 section, *Core Business and Outlook* under the heading, *Project Excellence*.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Three months ended March 31 *(millions of dollars – except where noted)*	**2022**	**2021**
Revenue	**1,958**	1,691
Fuel expense	**246**	184
Operations, maintenance and administration expenses	**717**	812
Depreciation and amortization expenses	**276**	278
Accretion on fixed asset removal and nuclear waste management liabilities	**286**	273
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(258)**	(239)
Other net expenses	**10**	9
Earnings before interest and income taxes	**681**	374
Net interest expense	**50**	60
Income tax expense	**124**	19
Net Income	**507**	295
Net income attributable to the Shareholder	**503**	290
Net income attributable to non-controlling interest [1]	**4**	5
Earnings (loss) before interest and income taxes		
Electricity generating business segments	**711**	399
Regulated – Nuclear Sustainability Services	**(25)**	(31)
Other	**(5)**	6
Earnings before interest and income taxes	**681**	374
Cash flow provided by operating activities	**860**	552
Capital expenditures [2]	**514**	421
Electricity generation (TWh)		
Regulated – Nuclear Generation	**10.2**	8.9
Regulated – Hydroelectric Generation	**8.0**	7.9
Contracted Hydroelectric and Other Generation [3]	**1.0**	1.3
Atura Power	**2.0**	1.0
Total OPG electricity generation	**21.2**	19.1
Nuclear unit capability factor (per cent) [4]		
Darlington Nuclear GS	**99.9**	73.6
Pickering Nuclear GS	**83.5**	72.2
Availability (per cent)		
Regulated – Hydroelectric Generation	**88.6**	91.8
Contracted Hydroelectric and Other Generation – hydroelectric stations	**88.7**	85.8
Atura Power [5]	**93.1**	93.9
Equivalent forced outage rate (per cent)		
Contracted Hydroelectric and Other Generation – thermal stations	**-**	3.2

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

[2] Includes net changes in accruals.

[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. Accordingly, Unit 3 and Unit 1 of the Darlington GS are excluded from the measure since commencing refurbishment on September 3, 2020 and February 15, 2022, respectively.

[5] Reflects the thermal availability of combined cycle plants, calculated on a three-year rolling average basis.

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 months ended March 31, 2022, can be accessed on OPG's web site (www.opg.com), the Canadian Securities Administrators' web site (www.sedar.com), or can be requested from the Company.

For further information, please contact:

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ONTARIO POWER GENERATION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2022 FIRST 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 months ended March 31, 2022. 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, 2021.

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* in OPG's 2021 annual MD&A. This MD&A is dated May 10, 2022.

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, *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 of America (United States or 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, 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:

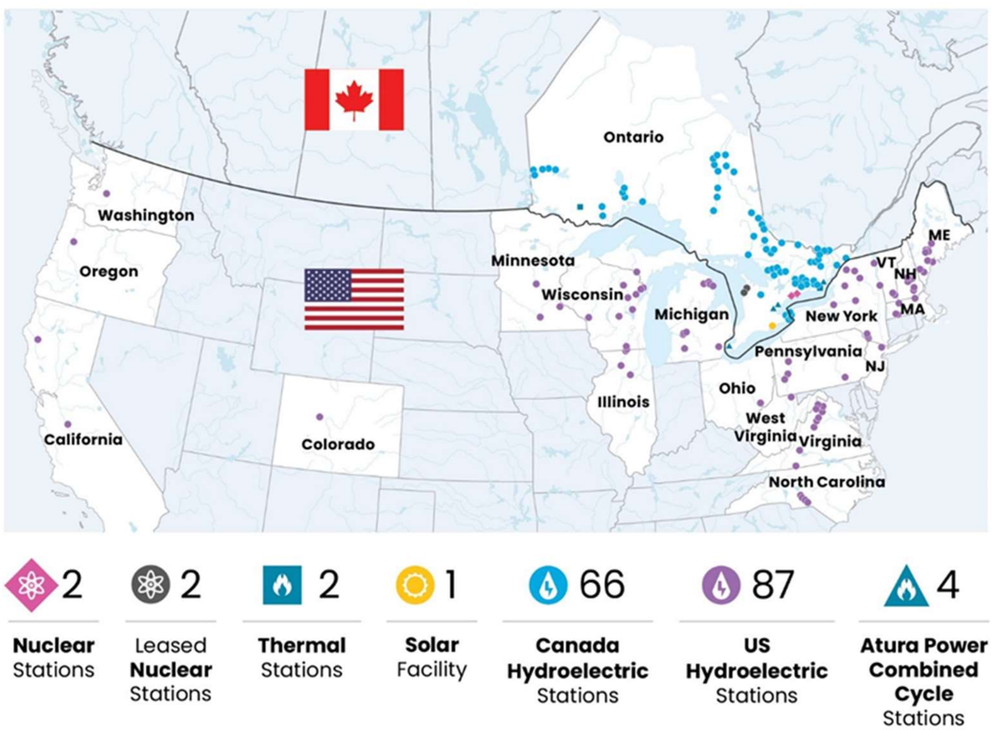
- "Earnings before Interest, Income Taxes, Depreciation and Amortization"; and
- "Gross Margin".

For a detailed description of each of the non-GAAP measures used in this MD&A, 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 18,085 megawatts (MW) as at March 31, 2022.

As at March 31, 2022, 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 (Eagle Creek), OPG also wholly or jointly owned and operated 87 hydroelectric generating stations and held minority interests in 14 hydroelectric and two solar facilities in the US as at March 31, 2022. 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.

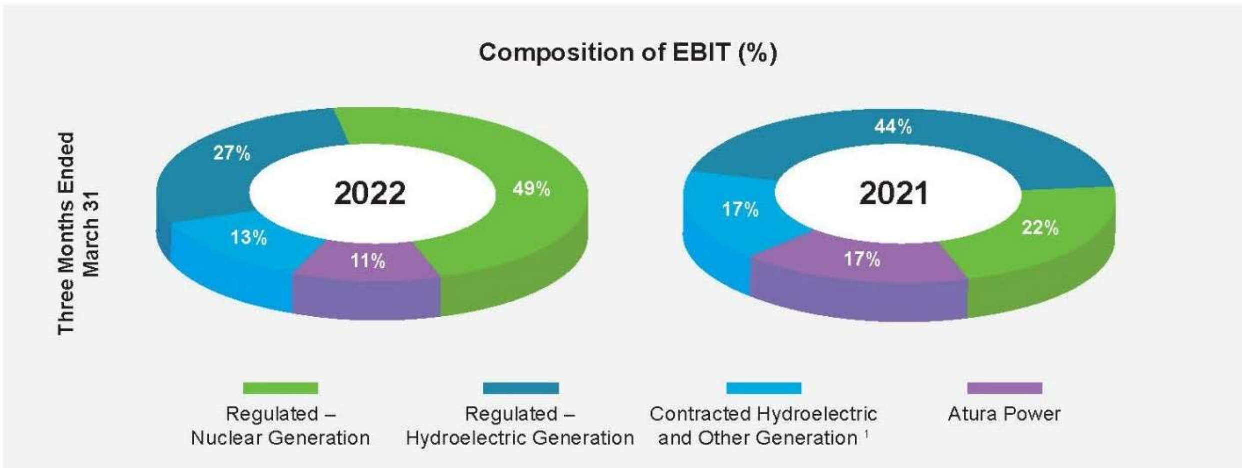
Income from the stations leased to Bruce Power is included in revenue under the Regulated – Nuclear Generation business segment. The leased stations are not included in the Company's electricity generation and other operating statistics set out in this MD&A.

Reporting Structure

The composition of OPG's reportable business segments effective as at March 31, 2022 is as follows:

- Regulated – Nuclear Generation;
- Regulated – Nuclear Sustainability Services;
- Regulated – Hydroelectric Generation;
- Contracted Hydroelectric and Other Generation; and
- Atura Power.

The composition of OPG's earnings before interest and income taxes (EBIT) by electricity generating business segment for the three months ended March 31 was as follows:



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

In-Service Generating Capacity

OPG's in-service generating capacity by business segment as at March 31, 2022 and December 31, 2021 were as follows:

	As At	
(MW)	**March 31 2022**	**December 31 2021**
Regulated – Nuclear Generation [1]	**4,850**	5,728
Regulated – Hydroelectric Generation	**6,425**	6,420
Contracted Hydroelectric and Other Generation [2]	**4,095**	4,095
Atura Power	**2,715**	2,715
Total	**18,085**	18,958

[1] The in-service generating capacity as at March 31, 2022 excludes Unit 1 and Unit 3 of the Darlington GS. Unit 1 was taken offline in February 2022 and Unit 3 was taken offline in September 2020. Unit 1 and Unit 3 each have a generating capacity of 878 MW and are concurrently undergoing refurbishment.

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

The total in-service generating capacity as at March 31, 2022 decreased by 873 MW compared to December 31, 2021. The decrease was due to the commencement of the refurbishment of Unit 1 of the Darlington nuclear GS (Darlington GS), which was taken offline in mid-February 2022. This is the third Darlington GS unit to undergo refurbishment. For further details on the Darlington Refurbishment project, refer to the section, *Core Business and Outlook* under the heading, *Project Excellence – Darlington Refurbishment.*

HIGHLIGHTS

Overview of Results

This section provides an overview of OPG's unaudited interim consolidated operating results for the three months ended March 31, 2022, compared to the same period in 2021. 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 March 31	
(millions of dollars – except where noted)	**2022**	**2021**
Revenue	**1,958**	1,691
Fuel expense	**246**	184
Operations, maintenance and administration expenses	**717**	812
Depreciation and amortization expenses	**276**	278
Accretion on fixed asset removal and nuclear waste management liabilities	**286**	273
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(258)**	(239)
Other net expenses	**10**	9
Earnings before interest and income taxes	**681**	374
Net interest expense	**50**	60
Income tax expense	**124**	19
Net income	**507**	295
Net income attributable to the Shareholder	**503**	290
Net income attributable to non-controlling interest [1]	**4**	5
Electricity generation (TWh) [2]	**21.2**	19.1
Cash flow		
Cash flow provided by operating activities	**860**	552
Capital expenditures [3]	**514**	421
Earnings (loss) before interest and income taxes by segment		
Regulated – Nuclear Generation	**349**	89
Regulated – Hydroelectric Generation	**193**	175
Contracted Hydroelectric and Other Generation	**89**	67
Atura Power	**80**	68
Total electricity generating business segments	**711**	399
Regulated – Nuclear Sustainability Services	**(25)**	(31)
Other	**(5)**	6
Earnings before interest and income taxes	**681**	374

[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.

Net income attributable to the Shareholder was $503 million for the first quarter of 2022, representing an increase of $213 million compared to the same quarter in 2021.

Earnings before interest and income taxes was $681 million for the first quarter of 2022, representing an increase of $307 million compared to the same quarter in 2021.

Significant factors that increased EBIT:

- Higher revenue from the Regulated – Nuclear Generation business segment of $119 million as a result of higher electricity generation of 1.3 terawatt hours (TWh) and $150 million from a higher nuclear base regulated price effective January 1, 2022. The higher electricity generation was primarily due to fewer planned and unplanned outages at both the Darlington and Pickering nuclear generating stations; and
- Lower OM&A expenses of $87 million from the Regulated – Nuclear Generation business segment, as expected, primarily due to a planned cyclical maintenance outage for Unit 1 of the Darlington GS during the first quarter of 2021.

Net interest expense decreased by $10 million in the first quarter of 2022, compared to the same quarter in 2021, primarily due to a higher amount of interest costs capitalized related to the Darlington Refurbishment project expenditures.

Income tax expense increased by $105 million in the first quarter of 2022, compared to the same quarter in 2021. The increase was primarily due to the impact of higher income before taxes.

Trends

OPG's quarterly electricity generation from the Regulated – Hydroelectric Generation, Contracted Hydroelectric and Other Generation, and Atura Power 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 Atura Power business segment is mitigated by the terms of the applicable ESAs with the Independent Energy 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 months ended March 31 was as follows:

	Three Months Ended March 31	
(TWh)	**2022**	**2021**
Regulated – Nuclear Generation	**10.2**	8.9
Regulated – Hydroelectric Generation	**8.0**	7.9
Contracted Hydroelectric and Other Generation [1]	**1.0**	1.3
Atura Power	**2.0**	1.0
Total OPG electricity generation	**21.2**	19.1

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

Total OPG electricity generation increased by 2.1 TWh in 2022, primarily due to higher electricity generated from the Regulated – Nuclear Generation and Atura Power business segments.

Electricity generation from the Regulated – Nuclear Generation business segment increased by 1.3 TWh for the three months ended March 31, 2022, compared to the same period in 2021. The increase was primarily due to fewer planned cyclical maintenance outages days and fewer unplanned outages at both the Darlington and Pickering nuclear generating stations. The increase was partially offset by the commencement of the refurbishment of Darlington GS Unit 1, which was taken offline in mid-February 2022.

Electricity generation from the Regulated – Hydroelectric Generation business segment for the three months ended March 31, 2022 was comparable to the same period in 2021.

Electricity generation from the Contracted Hydroelectric and Other Generation business segment decreased by 0.3 TWh for the three months ended March 31, 2022 compared to the same period in 2021, primarily due to lower water flows in the United States.

Electricity generation from the Atura Power business segment increased by 1.0 TWh for the three months ended March 31, 2022 compared to the same period in 2021, primarily due to higher electricity demand in the Ontario market.

Ontario's electricity demand as reported by the IESO, excluding electricity exports out of the province, was 36.4 TWh for the three months ended March 31, 2022, compared to 34.4 TWh for the same period in 2021.

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. Surplus baseload generation in Ontario was lower in the three months ended March 31, 2022, compared to the same period in 2021. Production forgone at OPG's regulated hydroelectric stations due to SBG conditions was 0.2 TWh in the three months ended March 31, 2022 and 0.6 TWh in the same period in 2021. The gross margin impact of production forgone at OPG's regulated hydroelectric stations due to SBG conditions was offset by the impact of a regulatory account authorized by the OEB. OPG did not forgo any electricity production at its nuclear generating stations due to SBG conditions.

Cash Flow from Operations

Cash flow provided by operating activities for the three months ended March 31, 2022, was $860 million, compared to $552 million for the same period in 2021. The increase was largely due to higher revenue, reflecting higher electricity generation and a higher OEB-approved nuclear base regulated price from the Regulated – Nuclear Generation business segment.

Capital Expenditures

Capital expenditures for the three months ended March 31 was as follows:

	Three Months Ended March 31	
(millions of dollars)	**2022**	**2021**
Regulated – Nuclear Generation – Darlington Refurbishment Project	**231**	178
Regulated – Nuclear Generation – Excluding Darlington Refurbishment Project	**113**	88
Regulated – Hydroelectric Generation	**57**	76
Contracted Hydroelectric and Other Generation	**74**	61
Atura Power	**11**	1
Other	**28**	17
Total capital expenditures [1]	**514**	421

[1] Includes net changes in accruals.

Total capital expenditures for the three months ended March 31, 2022 increased by $93 million compared to the same period in 2021.

The increase of $53 million in the capital expenditures on the Darlington Refurbishment project was primarily due to higher refurbishment activities at the Darlington GS driven by the commencement of the refurbishment of Unit 1 in mid-February 2022.

Excluding the Darlington Refurbishment project, capital expenditures for the Regulated – Nuclear Generation business segment increased by $25 million. The increase was primarily related to small modular reactor (SMR) expenditures at the Darlington New Nuclear Project (DNNP) site.

The decrease of $19 million in the capital expenditures for the Regulated – Hydroelectric Generation business segment mainly reflected the completion of the overhaul and upgrade of Unit 5 of the Sir Adam Beck I GS in 2021, higher expenditures on the Sir Adam Beck I GS Units G1 and G2 Replacement project during the three months ended March 31, 2021 and higher capital investments at hydroelectric stations in the Western Region during the three months ended March 31, 2021.

The increase in the capital expenditures of $13 million for the Contracted Hydroelectric and Other Generation business segment mainly reflected higher expenditures on the Smoky Falls Dam Safety project and the Little Long Dam Safety project, as planned.

Capital expenditures for the Atura Power business segment increased by $10 million, primarily due to higher expenditures at the Napanee GS.

Capital expenditures within the Other category increased by $11 million primarily due to planned investments in information technology systems as part of OPG's digital strategy.

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

SIGNIFICANT DEVELOPMENTS

Project Excellence

Darlington Refurbishment

On February 15, 2022, OPG commenced the refurbishment of Unit 1 of the Darlington GS with the defueling of the reactor, following the unit's safe shutdown. Unit 1 is the third Darlington GS unit to undergo refurbishment and is scheduled to be returned to service in the second quarter of 2025. Defueling of the reactor was completed in April 2022 and the islanding of Unit 1, which involves physically separating the unit from the two operating units, commenced immediately following defueling the reactor. The refurbishment of Unit 1 will incorporate the benefits of experience with the first two units to undergo refurbishment, Unit 2 and Unit 3, and additional strategic improvements.

With the commencement of Unit 1, for the first time two Darlington GS units are undergoing refurbishment in parallel. The Unit 3 refurbishment is in the third major segment, Reassembly, which includes the installation and reassembly of reactor components. During the first quarter of 2022, the project completed the calandria tube installation series and continued the upper and middle feeder installation series on Unit 3. Upon completion of the calandria tube installation, the project commenced the fuel channel installation series. The Darlington Refurbishment project is discussed further in the section, *Core Business and Outlook* under the heading, *Project Excellence*.

Darlington New Nuclear Project

In March 2022, OPG announced the selection of E.S. Fox Limited as the contractor for the first phase of site preparation and support infrastructure for the DNNP that includes engineering, procurement and construction. Work under this contract encompasses water, electrical power, information technology and roads. OPG expects to commence site preparation activities in 2022 and to submit the licence to construct application to the CNSC by the end of 2022.

Inter-provincial Strategic Plan for SMRs

In March 2022, the provinces of Ontario, Saskatchewan, New Brunswick and Alberta issued a strategic plan for the deployment of SMRs, which represents the final deliverable under the inter-provincial memorandum of understanding in support of SMR development. The strategic plan outlines how SMRs can provide safe, reliable and zero-emissions energy to the benefit of the economy and population, while creating new opportunities to export Canadian knowledge and expertise around the world. Under the plan, a proposed three-fold project stream for SMR development and deployment anticipates completed projects and in-service units by the mid-2030s in each of Ontario, Saskatchewan and New Brunswick, including OPG's DNNP. The report builds on the April 2021 SMR feasibility study prepared by OPG, Bruce Power, New Brunswick Power Corporation and Saskatchewan Power Corporation, which provided a feasibility assessment of SMR development and deployment and set out the business case for SMR implementation.

Low-carbon Hydrogen Development

Through Atura Power, OPG is laying the groundwork for low-carbon hydrogen production hubs in Ontario as part of a new hydrogen-related business. 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 intensity of natural gas electricity generation.

In April 2022, Atura Power announced the Niagara Hydrogen Centre as its first site for large-scale hydrogen production. The Niagara-based Atura Power hydrogen facility is part of the Province's broader hydrogen strategy, which was released in the same month. The Niagara Hydrogen Centre will use a 20 MW electrolyzer to produce green hydrogen, which is produced using water and electricity as inputs. Atura Power is evaluating additional sites in Ontario for green and low-carbon hydrogen production, including Halton Hills, Brighton Beach (Windsor), Lambton and Nanticoke. The final investment decisions for the Niagara Hydrogen Centre and the four hydrogen hubs feasibility studies are expected in the second half of 2022, pending an award of federal funding.

Northern Ontario Hydroelectric Opportunities Report

In January 2022, the Province requested OPG to examine opportunities for new hydroelectric development in northern Ontario. As part of this preliminary assessment, the Province has asked OPG to work with the Ontario Waterpower Association to update previous evaluations of hydroelectric potential in northern Ontario, while engaging with Indigenous communities to understand how they could benefit from future hydroelectric generation projects. As requested by the Province, in April 2022, OPG shared the results of this work with the Ontario Ministry of Energy as well as the IESO so that they can be considered as part of the IESO's work toward developing an achievable pathway to net-zero emissions in Ontario's electricity sector.

Financial Strength

Ontario Nuclear Funds Agreement Reference Plan Update

In December 2021, OPG completed a comprehensive update of the estimate for its obligations for nuclear waste management and nuclear facilities decommissioning as part of the required process to periodically update the reference plan under the Ontario Nuclear Funds Agreement (ONFA) between OPG and the Province. OPG undertakes to perform a comprehensive review of the underlying assumptions and baseline cost estimates for nuclear waste management and nuclear facilities decommissioning at least once every five years, in line with the required ONFA reference plan update process.

The updated estimate of the obligations was reflected in a new ONFA reference plan, for the years 2022 to 2026, which was approved by the Province in March 2022, with an effective date of January 1, 2022 (2022 ONFA Reference Plan). Based on the life cycle funding liabilities per the 2022 ONFA Reference Plan, the Decommissioning Segregated Fund and the Used Fuel Segregated Fund established under the ONFA to fund these obligations continue to be fully funded. Therefore, as approved by the Province, there are no overall contribution requirements to either the Decommissioning Segregated Fund or the Used Fuel Segregated Fund based on this update. Contributions to either or both funds may be required in the future should the funds be in an underfunded position when a new reference plan is prepared.

Further discussion of the accounting for the nuclear fixed asset removal and nuclear waste management liabilities (Nuclear Liabilities) and the nuclear fixed asset removal and nuclear waste management segregated funds (Nuclear Segregated Funds) can be found in OPG's 2021 annual MD&A in the section, *Critical Accounting Policies and Estimates* under the headings, *Asset Retirement Obligation* and *Nuclear Fixed Asset Removal and Nuclear Waste Management Funds*, respectively.

Social Licence

OPG's Equity, Diversity and Inclusion Strategy

In March 2022, OPG presented its 10-year Equity, Diversity & Inclusion (ED&I) Strategy externally through a public event with community partners aimed at advancing ED&I within the sector. OPG's ED&I Strategy builds on OPG's ED&I Promise to accelerate equity, celebrate diversity and foster a culture of inclusion, and provides a roadmap to guide the Company's journey of becoming a global ED&I best practice leader by 2030. OPG's ED&I Strategy can be found on the Company's website www.opg.com. For further details on OPG's ED&I Strategy, refer to the section, *Environmental, Social, Governance and Sustainability* under the heading, *Equity, Diversity and Inclusion.*

CORE BUSINESS AND OUTLOOK

Operational Excellence

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

Electricity Generation Production and Reliability

- In November 2020, 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 sites, with an effective date of January 22, 2022. 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, which was required to begin by January 22, 2022. On January 21, 2022, following a request for an injunction filed by unions representing workers in the nuclear industry, the Federal Court of Canada ordered that the implementation of random and pre-placement testing under REGDOC 2.2.4 is stayed, and that OPG is restrained from implementing or continuing these types of testing, pending the final disposition of the unions' Application for Judicial Review, scheduled to be heard in December 2022.

- On April 9, 2022, Unit 2 of the Darlington GS achieved a new record for its longest continuous operation at 455 consecutive days. The unit continues to operate and has been online since January 9, 2021 without being taken out of service for maintenance or repairs, uninterruptedly supplying clean and reliable energy to Ontario's electricity grid.

- In November 2020, the Canadian government launched a process to review and modernize Canada's approach to the safe management of Canada's nuclear by-products, consisting of two elements. The first element is to review Canada's existing Radioactive Waste Policy framework, with public participation and the goal of ensuring that the framework is consistent with international standards and best practices. The second element is to develop Canada's integrated strategy for the safe management of irradiated wastes, which, at the federal government's request, is being led by the Nuclear Waste Management Organization (NWMO). In February 2022, Natural Resources Canada issued a draft policy, Modernizing Canada's Policy for Radioactive Waste Management and Decommissioning, for public comment. The NWMO has stated that its recommendations for the Integrated Strategy for Radioactive Waste are expected to be presented to the federal government in 2022, informed by the NWMO's engagement process and the modernized Radioactive Waste Policy direction from Natural Resources Canada. OPG is participating in the federal government and NWMO's engagement processes and is monitoring developments related to the Integrated Strategy for Radioactive Waste as part of the Company's process to explore solutions for the safe long-term management of its low and intermediate level irradiated materials (referred to as low and intermediate level waste or L&ILW). OPG also continues to advance initiatives to safely and efficiently reduce the environmental footprint of L&ILW requiring long-term disposal by maximizing opportunities for processing, volume reduction, and recycling of clean materials.

- OPG continues to execute on a turbine and generator overhaul program for its hydroelectric generating units across Ontario. Over the next 20 years, the estimated $2.5-billion program will ensure that the Company's hydroelectric fleet can secure decades of clean hydroelectric generation that will help OPG meet the province's future clean power needs and the Company's climate change goals. During the first quarter of 2022, OPG completed the overhaul and upgrade of Unit 2 of the Abitibi Canyon GS. The Company also continued the execution of the overhaul work on and Unit 3 of the Barrett Chute GS, Unit 1 of the Silver Falls GS and Unit 7 of the Otto Holden GS and the rehabilitation of the Otto Holden GS and R.H. Saunders GS concrete infrastructure to ensure continued safe operations.

Sale of Non-Core Real Estate Sites

OPG has executed an agreement to sell the premises located at 800 Kipling Avenue in Toronto, Ontario as part of a corporate real estate strategy to reduce and optimize the existing real estate footprint. The after-tax gain on sale expected to be recognized upon completing the transaction, including the impact of revisions to the related asset retirement obligation, is estimated to be approximately $125 million, subject to certain closing conditions. The sale is expected to be completed in the second half of 2022.

In March 2022, OPG received a Shareholder Declaration and a Shareholder Resolution which required the Company to not proceed with and to terminate the agreement of purchase and sale with the Corporation of the Town of Port Hope to sell the property located at 2655 Lakeshore Road in the Town of Port Hope, Ontario.

Collective Agreements

The one-year collective agreement between the Power Workers' Union and OPG expired on March 31, 2022. Renewal negotiation is ongoing.

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 updates of OPG's major projects during the first quarter of 2022 are outlined below.

Project	**Capital expenditures**		**Approved budget**	**Expected in-service date**	**Current status**
(millions of dollars)	**Year-to-date** [1]	**Life-to-date**			
Darlington Refurbishment	231	8,490	12,800 [2]	Unit 3 – 2024 Unit 1 – 2025 Unit 4 – 2026	In February 2022, refurbishment of Unit 1 of the Darlington GS commenced. Unit 3 refurbishment is progressing on schedule and is in the Reassembly 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	52	369	650	2023	OPG completed the demolition on the east upstream dam and the concrete placement of the new bays adjacent to the existing sluicegates. Replacement of the existing Adam Creek gates continues. The project is expected to be completed in 2023 and is tracking on budget.
Smoky Falls Dam Safety Project	14	47	390	2025	OPG completed site mobilization activities and removal of the east bridge deck as part of the continued construction on the east spillway. The project is expected to be completed in 2025 and is tracking on budget.
Redevelopment of Calabogie Hydroelectric GS	12	101	145	2022	OPG installed the tailrace service gates and removed the downstream cofferdam. Construction of the new powerhouse continues. The project commenced installation of embedded stationary turbine parts. The project is expected to be placed in service at the end of 2022 and is tracking on budget.
Sir Adam Beck I GS Units G1 and G2 Replacement	6	99	128	2022	OPG completed the G2 unit alignment work and commenced commissioning activities. The project continues to advance the installation of the G1 unit turbine and generator. The project is expected to be placed in service in the second half of 2022 and is tracking on budget.

[1] Year-to-date represents capital expenditures as at March 31, 2022.
[2] 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[1]	 Life-to-date	Approved budget	Expected in-service date	Current status
Ranney Falls Hydroelectric GS	0	72	77	2022	The 10 MW single-unit powerhouse on the existing Ranney Falls GS site was re-installed, and commissioning work continues. The vendor completed repairs and reassembly of the unit at their own cost. The revised in-service date is expected to be in the first half of 2022. The project continues to track within budget.

[1] Year-to-date represents capital expenditures as at March 31, 2022.

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 expected to be returned to service by the first quarter of 2024. The third unit, Unit 1, commenced refurbishment on February 15, 2022 and is scheduled to be returned to service in the second quarter of 2025. Planning and pre-requisite activities for the refurbishment of the fourth unit, Unit 4, are progressing as planned. The planning, pre-requisite and execution work for Unit 1 and Unit 4 refurbishments has and will incorporate the benefits of experience with the first two units, Unit 2 and Unit 3, and additional strategic improvements. The refurbishment of Unit 4 is scheduled to be completed by the end of 2026.

In February 2022, OPG commenced the refurbishment of Unit 1 of the Darlington GS. The first major segment of the Unit 1 refurbishment is progressing as planned, with defueling of the reactor completed in April 2022. The project commenced the islanding of Unit 1 immediately following the completion of defueling the reactor.

Unit 3 refurbishment activities are progressing on schedule, incorporating continued COVID-19 protective measures. The Unit 3 refurbishment is currently in the third major segment, Reassembly, which involves the installation and reassembly of reactor components, including new feeder tubes and fuel channel assemblies. The third segment is progressing as planned, with the calandria tube installation series completed in March 2022 and the fuel channel installation series targeting completion in the second half of 2022. The upper and middle feeder installation series is also continuing, with the installation of 960 new feeder tubes being completed in two segments, starting with the upper and middle feeders and followed by the lower feeders.

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 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 of the Company's cost structure.

For regulated operations, achievement of the above objectives is largely dependent on outcomes of OPG's 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 2021 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 the regulated facilities in Ontario for the period from January 1, 2021 to December 31, 2026 in effect as of the date of this MD&A:

($/MWh)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Regulated – Nuclear Generation						
Base regulated price [1]	89.70	**104.06**	107.79	103.48	102.85	111.33
Deferral and variance account rate riders	6.13	**1.16**	1.25	1.15	5.34	7.58
Total regulated price	95.83	**105.22**	109.04	104.63	108.19	118.91
Regulated – Hydroelectric Generation						
Base regulated price	43.88	**43.88**	43.88	43.88	43.88	43.88
Deferral and variance account rate riders	2.05	**1.03**	1.03	1.03	0.69	0.69
Total regulated price	45.93	**44.91**	44.91	44.91	44.57	44.57

[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.

The base regulated prices in effect beginning January 1, 2022 were established by the final payment amounts order issued by the OEB in January 2022 reflecting the OEB's decisions on OPG's 2022-2026 rate application issued during the second half of 2021.

Pursuant to the OEB's January 2022 payment amounts order, $19 million of the approved nuclear revenue requirements will be deferred in the Rate Smoothing Deferral Account in 2022. Additionally, $64 million will be deferred in 2023 and no portion of the nuclear revenue requirements will be deferred over the 2024-2026 period. 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.

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 has been set equal to the 2021 hydroelectric base regulated price.

For generation assets that do not form part of the rate regulated operations, OPG generally 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 are 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 March 31, 2022, the Company's credit ratings were as follows:

Type of Rating	**DBRS Limited (DBRS)** [1]	**S&P Global Ratings (S&P)**	**Moody's Investors Service (Moody's)** [2]
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 [3]
Commercial paper program – US	NR [3]	A-2	P-2

[1] In April 2022, 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.
[2] In April 2022, Moody's confirmed OPG's ratings including A3 issuer's rating with stable outlook, A3 senior unsecured debt rating and P-2 US commercial paper rating.
[3] NR indicates no rating assigned.

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

Growth and Transformation

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 the redevelopment of existing sites, pursuing new developments and exploring commercial innovation opportunities outside of the core generation business. Opportunities are evaluated using financial and risk-based analyses as well as strategic considerations, and may be pursued in partnership with other commercial entities where aligned with OPG's business objectives.

Nuclear Small Modular Reactors

In April 2022, OPG entered into a collaborative agreement with Tennessee Valley Authority (TVA), a US-based electric utility corporation, to advance the development of SMRs. The agreement allows OPG and TVA to coordinate their explorations into the design, licensing, construction and operation of SMRs. No exchange of funding is involved. However, the agreement will help OPG and TVA reduce the financial risk that comes from development of innovative technology, as well as future deployment costs.

In April 2022, Laurentis Energy Partners, a wholly-owned subsidiary of OPG, announced that it will work with Fermi Energia, an Estonian-based energy company, to support their development of SMRs in Estonia by offering services throughout the development lifecycle.

In April 2022, OPG and Bruce Power announced an agreement that will see the two companies work together on supporting new nuclear technologies in Ontario, building on the success of their refurbishment collaboration and helping Canada reach its Net Zero climate change goals. The collaboration agreement will expand on the innovative work OPG and Bruce Power have undertaken to advance nuclear technologies in Canada. Working together, OPG and Bruce Power will collaborate on regulatory strategies and other enablers for a new nuclear fleet.

Transit Electrification

In February 2022, the Board of the Toronto Transit Commission (TTC) voted to enter into a 20-year agreement with PowerON Energy Solutions (PowerON), a wholly-owned subsidiary of OPG, to help decarbonize Toronto's bus fleet, North America's largest transit electrification project to date. PowerON supports large-scale electrification projects by providing turnkey solutions encompassing all electrical infrastructure from the electricity grid connection to vehicle chargers. Under the agreement with the TTC, PowerON will design, build, co-invest in, and operate the charging and related electrical infrastructure to support the electrification of the TTC's bus fleet and facilities.

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 and ED&I practices.

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

Outlook

Operating Performance

Broader global economic volatility, including further elevated levels of inflation combined with supply chain disruptions, may affect OPG's operating and capital portfolio. Despite this risk, OPG expects net income for the 2022 year to be higher than 2021 reflecting the impact of higher OEB-approved nuclear base regulated prices effective January 1, 2022, and the decrease in earnings in 2021 as a result of the OEB's disallowance of costs and adjustments to the in-service date for inclusion in rate base of the approved costs for the Heavy Water Storage and Drum Handling Facility. OPG continues to monitor and proactively manage the impact of inflation through its established risk mitigation measures, including contracting mechanisms and procurement.

Nuclear Segregated Funds

OPG's operating results can be affected by earnings on the Nuclear Segregated Funds as part of the Regulated – Nuclear Sustainability Services business segment. While the Nuclear Segregated Funds are managed to achieve, in the long term, the target rate of return based on the discount rate specified in the ONFA, rates of return earned in a given period are subject to volatility due to financial market conditions and, for the portion of the Used Fuel Segregated Fund guaranteed by the Province, changes in the Ontario consumer price index. This volatility can cause fluctuations in the Company's net income in the short term if the funds are not in a fully funded or overfunded position. The volatility is reduced by the impact of an OEB-authorized regulatory account.

As at March 31, 2022, the Decommissioning Segregated Fund was overfunded by approximately 37 percent and the Used Fuel Segregated Fund was overfunded by approximately 4 percent based on the approved 2022 ONFA Reference Plan.

Further details on OPG's Outlook can be found in OPG's 2021 annual MD&A in the section, *Core Business and Outlook* under the heading, *Outlook*.

ENVIRONMENTAL, SOCIAL, GOVERNANCE AND SUSTAINABILITY

OPG recognizes that its environmental, social and governance (ESG) practices, and their impacts, and that operating in a safe, sustainable and inclusive manner is directly connected to business success and is expected by the Company's customers, stakeholders, and Shareholder. As Ontario's largest clean energy provider, the Company strives to be a leader in ESG and climate change action. This is accomplished through the implementation of operational and growth strategies that minimize the Company's environmental footprint, support reductions in greenhouse gas emissions, and increase resilience to climate change impacts, while taking into account impacts on customers. Central to OPG's ESG and Sustainability focus is its commitment to becoming a global ED&I best practice leader by 2030.

Safety

Workplace safety and public safety are fundamental core values at OPG. OPG is committed to operating all of its facilities in a safe, secure and reliable manner that reduces risks to an acceptable level. OPG continues to maintain a strong focus on the nuclear safety program and to invest in nuclear safety systems. To ensure continued public safety, radiation exposure to members of the public resulting from the operation of OPG's nuclear generating stations is estimated on an annual basis for individuals living or working near the stations. The annual dose to the public resulting from operations of each nuclear facility is expressed in microsieverts (μSv), which is an international unit of radiation dose measurement.

The doses to the public resulting from OPG's nuclear operations were as follows:

Annual public dose	**2021**		**2020**	
	μSv	**% of annual legal limit [1]**	**μSv**	**% of annual legal limit [1]**
Darlington GS	**0.6**	**<0.1%**	0.4	<0.1%
Pickering GS	**2.0**	**0.2%**	1.2	0.1%

[1] The annual legal limit is 1,000 μSv for each nuclear generating station.

Environmental

Effective January 1, 2022, the federal government removed the application of the Output-Based Pricing System (OBPS) from Ontario and the province transitioned to the alternative Ontario Emissions Performance Standards (EPS) program. The Ontario EPS program is required to align with federal carbon pricing policy. For OPG, compliance obligations for carbon pricing apply to the Lennox GS and Atura Power's combined cycle plants. OPG has implemented processes to recover carbon costs to the extent possible. Neither the industrial carbon pricing nor the federal fossil fuel charge have had a material financial impact on the Company.

In March 2022, the federal government began consultations to develop a Clean Energy Standard (CES) that will support Canada's goal to transition to net-zero carbon emissions from electricity generation by 2035. Considerations for the electricity sector under the OBPS will also be reviewed as part of this process. OPG is engaged in the CES consultation process to ensure policies support energy affordability, electricity grid reliability and emissions reductions. The federal government also released its 2030 Emissions Reduction Plan under the *Canadian Net-Zero Emissions Accountability Act*, outlining actions to meet Canada's 2030 emissions reduction targets and to support the transition to net-zero emissions by 2050. The plan includes actions that align with OPG's Climate Change Plan such as the electrification of transportation and the development and deployment of non-emitting generation.

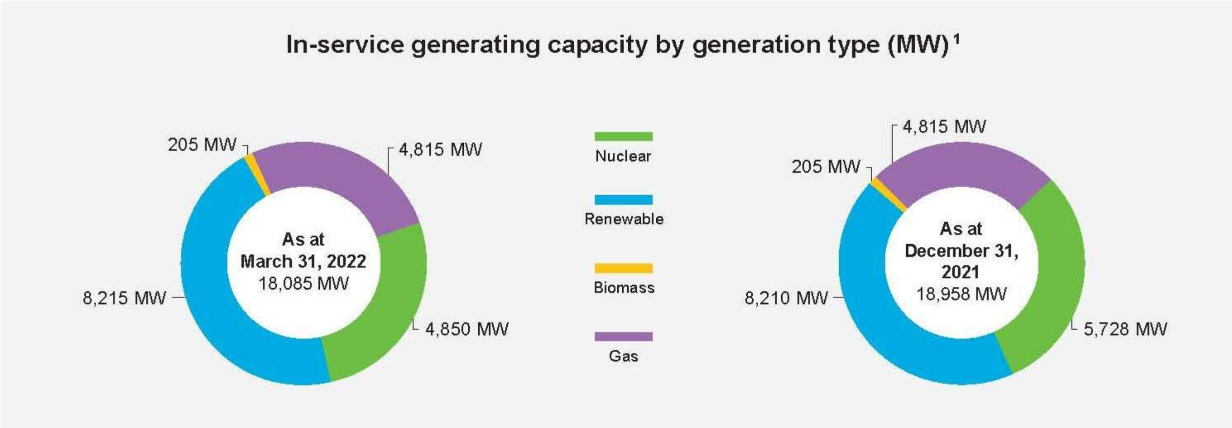
Climate Change

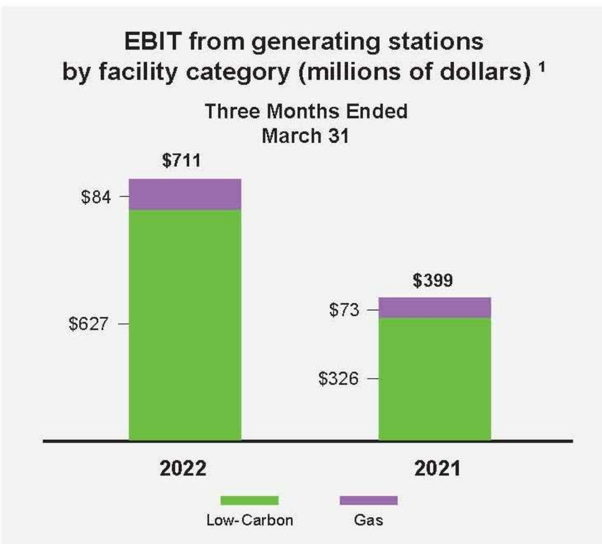
Since the launch of the Climate Change Plan, OPG has made advancements in several areas to ensure sustainable, resilient operations and to invest in the generation of clean energy. This includes progressing the Darlington Refurbishment project as one of Canada's largest clean energy infrastructure projects, continuing to lead the development of SMRs with the goal of deploying Canada's first commercial grid-scale SMR at the DNNP site, and executing work required to maximize the safe and reliable operating life of the Pickering nuclear GS (Pickering GS). OPG also continues to advance a number of projects to increase the generating capacity of its hydroelectric generating assets and to support the electrification of Ontario's transportation sector. For further details on the actions taken by OPG in support of the Climate Change Plan during the first quarter of 2022, refer to the section, *Core Business and Outlook* under the heading, *Financial Strength – Growth and Transformation.*

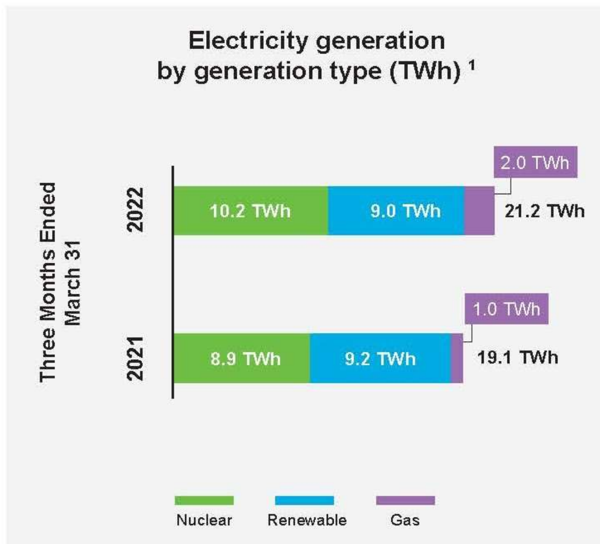
<u>Climate-Related Performance and Key Metrics</u>

OPG continues to determine the most relevant climate-related impacts for the business in the context of its ESG 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-fueled Lennox GS and the Company's combined cycle plants operated through Atura Power.

In-service generating capacity by generation type [1]	In-service generating capacity from low-carbon emitting sources decreased as at March 31, 2022, compared to the same period in 2021. The decrease was due to the commencement of the refurbishment of the third Darlington GS unit, Unit 1, which was taken offline in mid-February 2022.
Electricity generation by generation type [2]	Low-carbon electricity sources supplied approximately 91 percent of OPG's total electricity generation during the first quarter of 2022. The percentage of total electricity supplied by low-carbon sources decreased in the first quarter of 2022, compared to the same period in 2021, primarily due to increased electricity generation from the Atura Power business segment due to higher electricity demand in the Ontario market.
EBIT from generating stations by facility category [3]	Earnings before interest and income taxes from low-carbon generation increased in the first quarter of 2022, compared to the same period in 2021, primarily due to higher revenue, reflecting higher generation from the Regulated – Nuclear Generation business segment.

[1] Identifies capacity available from OPG's different generation sources and tracks low-carbon energy capacity relative to other sources. Nuclear, Renewable (which includes hydroelectric and solar) and Biomass (which uses wood pellets from sustainably managed forests) generation are considered to be low-carbon emitting generation sources. Low-carbon emitting sources continue to account for the majority of OPG's total in-service generating capacity.

[2] Identifies electricity generated from OPG's different generation sources and tracks low-carbon energy generation sources (Nuclear, Renewable and Biomass) relative to other sources.

[3] Identifies the portion of OPG's EBIT from electricity generating stations derived from low-carbon generation sources.

Equity, Diversity and Inclusion

OPG is committed to workplace ED&I as part of a culture in which all employees, contractors and business partners are treated with fairness and respect. OPG recognizes that ED&I is integral to building a diverse, committed and agile workforce in a dynamic and changing industry, and is therefore fundamental to achieving the Company's strategic goals.

In March 2022, OPG presented its 10-year ED&I Strategy externally through a public event which included a discussion with panelists from the BlackNorth Initiative, the Organization of Canadian Nuclear Industries, Electricity Canada (previously Canadian Electricity Association), and Durham College to discuss the energy sector's unique challenges and creative solutions in advancing ED&I work. The ED&I Strategy provides a roadmap to guide the Company's journey towards ED&I excellence by further embedding ED&I principles and measuring ED&I outcomes in organizational processes and decision-making. Stakeholders across the enterprise were engaged in the development of the ED&I Strategy to ensure the Company's approach responds to and incorporates employee experiences and perspectives. The ED&I Strategy can be found on the Company's website www.opg.com.

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 maintains a certified Gold Designation under the Canadian Council for Aboriginal Business' (CCAB) Progressive Aboriginal Relations (PAR) program, recognizing OPG as a national best-practices organization with a demonstrated commitment in the area of Indigenous relations.

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 a SMR at the DNNP site. In the first quarter of 2022, OPG hosted tours at the Darlington GS for leadership from Curve Lake First Nation as well as a delegation from the Indigenous Advisory Council for the Small Modular Reactor Action Plan (IACSMRAP). The IACSMRAP is an Indigenous-led advisory group established to support a coordinated, national Indigenous lens to SMR policies, programs, and decisions as the SMR Action Plan develops. These tours, which serve to educate, and build trust and relationships, are an element of OPG's social licence and a key piece of OPG's Reconciliation Action Plan. OPG's Reconciliation Action Plan can be found on the Company's website www.opg.com.

During the first quarter of 2022, as many northern First Nation communities continued to experience COVID-19, OPG supplied personal protective equipment including hand sanitizer, gloves and masks in response to community requests. Additionally, approximately 17,000 KN95 masks were distributed to 15 First Nation communities including six remote First Nations.

DISCUSSION OF OPERATING RESULTS BY BUSINESS SEGMENT

Regulated – Nuclear Generation Segment

(millions of dollars – except where noted)	Three Months Ended March 31 2022	2021
Electricity generation (TWh)	**10.2**	8.9
Revenue	**1,132**	946
Fuel expense	**68**	59
Gross margin	**1,064**	887
Operations, maintenance and administration expenses	**559**	646
Property taxes	**5**	7
Earnings before interest, income taxes, depreciation and amortization	**500**	234
Depreciation and amortization expenses	**151**	145
Earnings before interest and income taxes	**349**	89

Earnings before interest and income taxes from the segment increased by $260 million for the three months ended March 31, 2022 compared to the same period in 2021.

The increase in earnings was primarily due to increases in revenue of $119 million as a result of higher electricity generation of 1.3 TWh, due to fewer planned and unplanned outage days, and $150 million from a higher OEB-approved nuclear base regulated price.

The increase in earnings was also partially due to lower amounts of OM&A expenses of $87 million, compared to the three months ended March 31, 2021, mainly due to a planned cyclical maintenance outage for Unit 1 of the Darlington GS during the first quarter of 2021.

The increase in EBIT was partially offset by higher depreciation and amortization expenses of $60 million, excluding amortization expense related to the recovery of regulatory account balances. Depreciation and amortization expenses increased for 2022, compared to 2021, primarily due to amounts recorded in 2021 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 for 2021. The higher depreciation and amortization expenses also reflect higher depreciation expense recognized from placing capital in service.

The reduction in revenue resulting from lower rate riders authorized by the OEB for the recovery of approved balances in OEB-authorized regulatory variance and deferral accounts was largely offset by lower amortization expense related to the regulatory balances.

As at December 31, 2021, OPG recorded a net decrease of approximately $327 million to the Nuclear Liabilities, with a corresponding net decrease to the asset retirement costs capitalized as part of the carrying value of the nuclear generating stations to which the obligations relate, as a result of an update to the Company's nuclear waste management and nuclear facilities decommissioning obligations determined as part of the 2022 ONFA Reference Plan update process. The resulting changes in accretion expense on Nuclear Liabilities recorded in the Regulated – Nuclear Sustainability Services business segment and the resulting changes in depreciation, fuel and OM&A expenses recorded in the Regulated – Nuclear Generation business segment during the first quarter of 2022, compared to the same period in 2021, were largely offset by the impact of existing regulatory accounts authorized by the OEB.

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

	Three Months Ended March 31	
	2022	**2021**
Planned Outage Days		
Darlington GS [1]	**-**	55.4
Pickering GS	**88.0**	122.2
Unplanned Outage Days		
Darlington GS [1]	**0.4**	15.9
Pickering GS	**1.9**	28.6

[1] The planned and unplanned outage days exclude unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 3 and Unit 1 of the Darlington GS are excluded from the measure since commencing refurbishment on September 3, 2020 and February 15, 2022, respectively.

The fewer planned outage days at the Darlington GS for the three months ended March 31, 2022, compared to the same period in 2021, were primarily driven by the station's cyclical maintenance schedule.

The fewer planned outage days at the Pickering GS for the three months ended March 31, 2022, compared to the same period in 2021, were driven by the station's cyclical maintenance schedule. Additionally, there were higher planned outage days associated with other planned maintenance and repair work executed at the station in 2021.

The fewer unplanned outage days at both the Darlington and Pickering nuclear generating stations for the three months ended March 31, 2022, compared to the same period in 2021, were mainly due to a higher number of unplanned outage days to perform fuel handling and other maintenance and repair activities at the stations in 2021.

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

	Three Months Ended March 31	
	2022	**2021**
Unit Capability Factor *(%)* [1]		
Darlington GS	**99.9**	73.6
Pickering GS	**83.5**	72.2

[1] The nuclear Unit Capability Factor excludes unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 3 and Unit 1 of the Darlington GS are excluded from the measure since commencing refurbishment on September 3, 2020 and February 15, 2022, respectively.

The Unit Capability Factor at both the Darlington and Pickering nuclear generating stations increased for the three months ended March 31, 2022, compared to the same period in 2021, due to fewer planned and unplanned outage days.

Regulated – Nuclear Sustainability Services Segment

	Three Months Ended March 31	
(millions of dollars)	**2022**	**2021**
Revenue	**50**	45
Operations, maintenance and administration expenses	**50**	45
Accretion on nuclear fixed asset removal and nuclear waste management liabilities	**283**	270
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(258)**	(239)
Loss before interest and income taxes	**(25)**	(31)

Loss before interest and income taxes from the segment was $25 million for the three months ended March 31, 2022, compared to a loss of $31 million for the same period in 2021, representing an increase in earnings of $6 million. The increase was primarily due to higher earnings on the Nuclear Segregated Funds, partially offset by higher accretion expense on the Nuclear Liabilities.

The higher earnings from the Nuclear Segregated Funds were primarily due to the growth in the present value of the underlying funding liabilities per the approved ONFA reference plan in effect and an adjustment recorded in the first quarter of 2022 to adjust the value of the Nuclear Segregated Funds reported on the consolidated balance sheet to the underlying funding liabilities reflected in the 2022 ONFA Reference Plan. As both the Decommissioning Segregated Fund and the Used Fuel Segregated Fund were in an overfunded position during the three months ended March 31, 2022, and during the same period in 2021, they were not impacted by market returns and the rate of return guarantee provided by the Province for a portion of the Used Fuel Segregated Fund. The 2022 ONFA Reference Plan was approved by the Province in March 2022, and is discussed in the section, *Significant Developments* under the heading, *Financial Strength – Ontario Nuclear Funds Agreement Reference Plan Update*.

When both funds are in an overfunded position, OPG limits the amount of Nuclear Segregated Funds assets reported on the consolidated balance sheet to the present value of the underlying funding liabilities per the approved ONFA reference plan in effect. Further details on the accounting for the Nuclear Segregated Funds can be found in OPG's 2021 annual MD&A in the section, *Critical Accounting Policies and Estimates* under the heading, *Nuclear Fixed Asset Removal and Nuclear Waste Management Funds*.

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

Regulated – Hydroelectric Generation Segment

	Three Months Ended March 31	
(millions of dollars – except where noted)	**2022**	**2021**
Electricity generation (TWh)	**8.0**	7.9
Revenue [1]	**387**	388
Fuel expense	**64**	69
Gross margin	**323**	319
Operations, maintenance and administration expenses	**86**	92
Property taxes	**1**	-
Other losses	**1**	-
Earnings before interest, income taxes, depreciation and amortization	**235**	227
Depreciation and amortization expenses	**42**	52
Earnings before interest and income taxes	**193**	175

[1] During the three months ended March 31, 2022 and 2021, the Regulated – Hydroelectric Generation business segment revenue included incentive payments of $1 million and $4 million, respectively, related to the OEB-approved hydroelectric incentive mechanism. 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 $18 million for the three months ended March 31, 2022, compared to the same period in 2021. The increase was mainly due to the impact of higher market prices on congestion management revenues, and lower OM&A expenses from a decrease in project expenses in the Western region.

The reduction in revenue resulting from lower rate riders authorized by the OEB for the recovery of approved balances in OEB-authorized regulatory variance and deferral accounts was largely offset by lower amortization expense related to the regulatory balances.

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

	Three Months Ended March 31	
	2022	**2021**
Hydroelectric Availability *(%)* [1]	**88.6**	91.8

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

The Hydroelectric Availability decreased for the three months ended March 31, 2022, compared to the same period in 2021, largely due to higher unplanned outages at the regulated hydroelectric stations in the Niagara Region and higher planned outages at the regulated hydroelectric stations in the Eastern Region.

Contracted Hydroelectric and Other Generation Segment

(millions of dollars – except where noted)	Three Months Ended March 31 2022	2021
Electricity generation (TWh)	**1.0**	1.3
Revenue	**203**	181
Fuel expense	**12**	11
Gross margin	**191**	170
Operations, maintenance and administration expenses	**55**	59
Accretion on fixed asset removal liabilities	**2**	2
Property taxes	**6**	4
Other losses	**1**	1
Earnings before interest, income taxes, depreciation and amortization	**127**	104
Depreciation and amortization expenses	**38**	37
Earnings before interest and income taxes	**89**	67

Earnings before interest and income taxes from the segment increased by $22 million for the three months ended March 31, 2022, compared to the same period in 2021. The increase in earnings was primarily due to higher earnings from the US operations due to higher wholesale electricity market prices and higher earnings from the Atikokan GS. The Ontario-based hydroelectric facilities subject to ESAs with the IESO continue to contribute a stable level of business segment earnings.

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

	Three Months Ended March 31 2022	2021
Hydroelectric Availability *(%)* [1,2]	**88.7**	85.8
Thermal EFOR *(%)* [2]	**-**	3.2

1 Hydroelectric Availability reflects the Company's hydroelectric generating stations in Ontario and the United States.
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 months ended March 31, 2022, compared to the same period in 2021, primarily due to fewer unplanned outages, mainly at the Lower Mattagami hydroelectric generating stations in Ontario.

The Thermal EFOR decreased for the three months ended March 31, 2022, compared to the same period in 2021, due to there being no planned or unplanned outages at the Atikokan and Lennox GS.

Atura Power Segment

	Three Months Ended March 31	
(millions of dollars – except where noted)	**2022**	**2021**
Electricity Generation (TWh)	**2.0**	1.0
Revenue	**226**	159
Fuel expense	**102**	45
Gross margin	**124**	114
Operations, maintenance and administration expenses	**15**	17
Property taxes	**1**	1
Earnings before interest, income taxes, depreciation and amortization	**108**	96
Depreciation and amortization expenses	**28**	28
Earnings before interest and income taxes	**80**	68

Earnings before interest and income taxes from the segment increased by $12 million for the three months ended March 31, 2022 compared to the same period in 2021. The increase was primarily due to higher gross margin as a result of increased electricity generation driven by higher electricity demand in the Ontario market.

The Thermal Availability for the assets within the Atura Power business segment was as follows:

	Three Months Ended March 31	
	2022	**2021**
Thermal Availability *(%)* [1]	**93.1**	93.9

[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. The measure is calculated on a three-year rolling average basis.

The Thermal Availability decreased marginally for the three months ended March 31 2022, compared to the same period in 2021, primarily due to a planned outage at the Napanee GS, commencing at the end of the first quarter of 2022.

LIQUIDITY AND CAPITAL RESOURCES

OPG maintains a range of funding sources to ensure sufficient liquidity and meet financing requirements. 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, 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 were as follows:

	Three Months Ended March 31	
(millions of dollars)	**2022**	**2021**
Cash, cash equivalents and restricted cash, beginning of period	**698**	725
Cash flow provided by operating activities	**860**	552
Cash flow used in investing activities	**(598)**	(227)
Cash flow used in financing activities	**(26)**	(215)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(1)**	(1)
Net increase in cash, cash equivalents and restricted cash	**235**	109
Cash and cash equivalents and restricted cash, end of period	**933**	834

For a discussion of cash flow provided by operating activities, refer to the details in the section, *Highlights* under the heading, *Overview of Results*.

Investing Activities

Cash flow used in investing activities for the three months ended March 31, 2022 increased by $371 million compared to the same period in 2021. The increase was primarily due to the March 2021 settlement transaction related to certain post-closing terms and conditions of the acquisition of a portfolio of combined cycle plants in 2020, as well as higher capital expenditures.

Financing Activities

Cash flow used in financing activities for the three months ended March 31, 2022 decreased by $189 million compared to the same period in 2021. The decrease was primarily due to higher net repayments of short-term debt partially offset by higher issuances of long-term debt in the first quarter of 2021.

Committed credit facilities and maturity dates as at March 31, 2022 were as follows:

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

[1] These credit facilities contain a sustainability-linked feature that allows reduced pricing if the Company meets certain sustainability targets.
[2] A letter of credit of $55 million was outstanding under this facility as at March 31, 2022.

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

	As At	
(millions of dollars)	**March 31 2022**	**December 31 2021**
Lower Mattagami Energy Limited Partnership	**160**	125
Corporate commercial paper	**40**	57
Total short-term debt	**200**	182
Letters of credit	**529**	530
Guarantees	**35**	35

As of March 31, 2022, a total of $529 million of Letters of Credit had been issued. This included $395 million for the supplementary pension plans, $14 million for Eagle Creek and its subsidiaries, $55 million for Lower Mattagami Energy Limited Partnership, $42 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 were as follows: [1]

	As At	
(millions of dollars)	**March 31 2022**	**December 31 2021**
Medium Term Notes payable	**4,350**	4,350
Notes payable to the OEFC	**2,650**	2,690
Project financing	**2,623**	2,630
Other	**25**	25
	9,648	9,695

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

Share Capital

As at March 31, 2022 and December 31, 2021 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 March 31, 2022 and December 31, 2021 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.

Contractual and Commercial Commitments

Outsourcing Agreements

On February 1, 2022, OPG insourced some of its information technology service operations, which had been previously outsourced to New Horizon System Solutions LP (NHSS) since 2000. The remaining represented employees of NHSS are expected to be transferred to OPG in 2024. Pension and OPEB obligations assumed by OPG as part of the arrangement are expected to be largely offset by compensation from NHSS.

BALANCE SHEET HIGHLIGHTS

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

	As At	
(millions of dollars)	**March 31 2022**	**December 31 2021**
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.	**20,096**	19,876
Short-term debt The increase was mainly due to net issuances made under the Company's corporate commercial paper program.	**200**	182
Long-term debt *(current and non-current portions)* The decrease was mainly due to the repayment of $40 million to the OEFC.	**9,619**	9,666
Fixed asset removal and nuclear waste management liabilities The increase was primarily a result of accretion expense, representing the increase in the present value of the obligation to reflect the passage of time, partially offset by expenditures on fixed asset removal and nuclear waste management activities.	**23,652**	23,415

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.

CRITICAL 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, 2021. A discussion of recent accounting pronouncements and changes in accounting estimate is included in Note 2 to OPG's unaudited interim consolidated financial statements as at and for the three months ended March 31, 2022. OPG's critical accounting policies are consistent with those noted in OPG's 2021 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 2021 annual MD&A.

Risks to Maintaining Financial Strength

Risks related to government legislation, 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 March 31, 2022 was $630 million, including $569 million with the IESO. OPG considers 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.

	2022 [1]	2023	2024
Estimated fuel requirements hedged (%) [2]	81	77	77

[1] Based on actual fuel requirements hedged for the three months ended March 31, 2022 and forecast for the remainder of the year.

[2] Represents the approximate portion of megawatt-hours (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, this 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.

The related party transactions were as follows:

	Three Months Ended March 31			
	2022		2021	
(millions of dollars)	**Income**	**Expense**	**Income**	**Expense**
Hydro One				
Electricity sales	**7**	**-**	3	-
Services	**-**	**6**	-	2
Dividends	**1**	**-**	1	-
Province of Ontario				
Change in Decommissioning Segregated Fund amount due to Province [1]	**536**	**-**	5	-
Change in Used Fuel Segregated Fund amount due to Province [1]	**838**	**-**	-	27
Hydroelectric gross revenue charge	**-**	**27**	-	29
OEFC				
Hydroelectric gross revenue charge	**-**	**36**	-	39
Interest expense on long-term notes	**-**	**24**	-	26
Income taxes	**-**	**168**	-	64
Property taxes	**-**	**3**	-	3
IESO				
Electricity related revenue	**1,806**	**-**	1,526	-
Fair Hydro Trust				
Interest income	**8**	**-**	8	-
	3,196	**264**	1,543	190

[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 March 31, 2022 and December 31, 2021, the Nuclear Segregated Funds were reported net of amounts due to the Province of $7,216 million and $8,590 million, respectively.

Balances between OPG and its related parties are summarized below:

	As at	
(millions of dollars)	**March 31 2022**	**December 31 2021**
Receivables from related parties		
Hydro One	**2**	2
IESO − Electricity related receivables	**569**	548
Fair Hydro Trust	**12**	4
OEFC	**9**	3
Province of Ontario	**7**	1
Loan receivable		
Fair Hydro Trust	**910**	911
Equity securities		
Hydro One shares	**173**	176
Accounts payable, accrued charges and other payables		
Hydro One	**1**	1
OEFC	**69**	88
Province of Ontario	**8**	6
IESO − Electricity related payables	**5**	8
Long-term debt (including current portion)		
Notes payable to OEFC	**2,650**	2,690

OPG may hold Province of Ontario bonds and treasury bills in the Nuclear Segregated Funds and the OPG registered pension plan. As at March 31, 2022, the Nuclear Segregated Funds held $1,531 million of Province of Ontario bonds (December 31, 2021 – $1,709 million) and $4 million of Province of Ontario treasury bills (December 31, 2021 – $13 million). As of March 31, 2022, the OPG registered pension plan held $88 million of Province of Ontario bonds (December 31, 2021 − $89 million) and $11 million of Province of Ontario treasury bills (December 31, 2021 – $15 million). These Province of Ontario bonds and treasury bills are publicly traded securities and are measured at fair value. OPG jointly oversees the investment management of the Nuclear Segregated Funds with the Province.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

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

QUARTERLY FINANCIAL HIGHLIGHTS

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

(millions of dollars – except where noted) *(unaudited)*	**March 31 2022**	**December 31 2021**	**September 30 2021**	**June 30 2021**
Electricity generation (*TWh*)	**21.2**	**18.3**	**21.0**	**19.2**
Revenue	**1,958**	**1,670**	**1,712**	**1,804**
Net income	**507**	**97**	**430**	**522**
Less: Net income attributable to non-controlling interest	**4**	**6**	**4**	**4**
Net income attributable to the Shareholder	**503**	**91**	**426**	**518**
Earnings per share, attributable to the Shareholder *(dollars)*	**$1.83**	**$0.33**	**$1.55**	**$1.89**

(millions of dollars – except where noted) *(unaudited)*	**March 31 2021**	**December 31 2020**	**September 30 2020**	**June 30 2020**
Electricity generation (*TWh*)	19.1	19.2	21.3	20.9
Revenue	1,691	1,782	1,889	1,849
Net income	295	211	390	462
Less: Net income attributable to non-controlling interest	5	3	4	4
Net income attributable to the Shareholder	290	208	386	458
Earnings per share, attributable to the Shareholder *(dollars)*	$1.06	$0.76	$1.41	$1.67

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 March 31, 2022, the Darlington GS had two 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 plants 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) 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.

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

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ONTARIO POWER GENERATION INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
MARCH 31, 2022

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Three Months Ended March 31 *(millions of dollars except where noted)*	**2022**	**2021**
Revenue	**1,958**	1,691
Fuel expense	**246**	184
Gross margin	**1,712**	1,507
Operations, maintenance and administration expenses	**717**	812
Depreciation and amortization expenses	**276**	278
Accretion on fixed asset removal and nuclear waste management liabilities	**286**	273
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(258)**	(239)
Property taxes	**13**	13
	1,034	1,137
Income before other gains, interest and income taxes	**678**	370
Other gains	**(3)**	(4)
Income before interest and income taxes	**681**	374
Net interest expense *(Note 5)*	**50**	60
Income before income taxes	**631**	314
Income tax expense	**124**	19
Net income	**507**	295
Net income attributable to the Shareholder	**503**	290
Net income attributable to non-controlling interest	**4**	5
Basic and diluted earnings per share *(dollars) (Note 13)*	**1.83**	1.06

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31 *(millions of dollars)*	**2022**	**2021**
Net income	**507**	295
Other comprehensive loss, net of income taxes *(Note 8)*		
Reclassification to income of amounts related to pension and other post-employment benefits [1]	**2**	5
Reclassification to income of losses on derivatives designated as cash flow hedges [2]	**3**	3
Currency translation adjustment	**(26)**	(20)
Other comprehensive loss for the period	**(21)**	(12)
Comprehensive income	**486**	283
Comprehensive income attributable to the Shareholder	**482**	278
Comprehensive income attributable to non-controlling interest	**4**	5

1 Net of income tax expense of $1 million for the three months ended March 31, 2022 and 2021.
2 Net of income tax expense of nil for the three months ended March 31, 2022 and 2021.

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31 *(millions of dollars)*	**2022**	**2021**
Operating activities		
Net income	**507**	295
Adjust for non-cash items:		
Depreciation and amortization expenses	**276**	278
Accretion on fixed asset removal and nuclear waste management liabilities	**286**	273
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(258)**	(239)
Pension and other post-employment benefit costs *(Note 9)*	**100**	115
Deferred income tax expense (recovery)	**10**	(3)
Regulatory assets and regulatory liabilities	**(14)**	(60)
Other	**(7)**	1
Expenditures on fixed asset removal and nuclear waste management	**(95)**	(104)
Reimbursement of eligible expenditures on nuclear fixed asset removal and nuclear waste management	**62**	55
Contributions to pension funds and expenditures on other post-employment benefits and supplementary pension plans	**(72)**	(78)
Net changes to other long-term assets and long-term liabilities	**27**	9
Net changes to non-cash working capital balances *(Note 16)*	**38**	10
Cash flow provided by operating activities	**860**	552
Investing activities		
Investment in property, plant and equipment and intangible assets	**(598)**	(447)
Proceeds from settlement related to acquired natural gas-fired assets	**-**	220
Cash flow used in investing activities	**(598)**	(227)
Financing activities		
Net issuance (repayment) of short-term debt *(Note 6)*	**18**	(638)
Net proceeds from issuance of long-term debt *(Note 5)*	**-**	494
Repayment of long-term debt *(Note 5)*	**(40)**	(66)
Distribution to non-controlling interest	**(4)**	(5)
Cash flow used in financing activities	**(26)**	(215)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(1)**	(1)
Net increase in cash, cash equivalents and restricted cash	**235**	109
Cash, cash equivalents and restricted cash, beginning of period	**698**	725
Cash, cash equivalents and restricted cash, end of period	**933**	834

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	**March 31 2022**	**December 31 2021**
Assets		
Current assets		
Cash, cash equivalents and restricted cash *(Note 3)*	**933**	698
Equity securities	**173**	176
Receivables from related parties	**599**	558
Nuclear fixed asset removal and nuclear waste management funds	**54**	69
Fuel inventory	**280**	247
Materials and supplies	**99**	103
Regulatory assets *(Note 4)*	**288**	288
Prepaid expenses	**160**	120
Other current assets	**182**	203
	2,768	2,462
Property, plant and equipment	**42,451**	41,975
Less: accumulated depreciation	**11,918**	11,648
	30,533	30,327
Intangible assets	**860**	848
Less: accumulated amortization	**387**	372
	473	476
Goodwill	**159**	161
Other assets		
Nuclear fixed asset removal and nuclear waste management funds	**20,042**	19,807
Loan receivable from related party	**910**	911
Long-term materials and supplies	**403**	414
Regulatory assets *(Note 4)*	**6,407**	6,467
Investments subject to significant influence	**41**	42
Other long-term assets	**86**	86
	27,889	27,727
	61,822	61,153

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	**March 31 2022**	**December 31 2021**
Liabilities		
Current liabilities		
Accounts payable, accrued charges and other payables	**1,458**	1,441
Short-term debt *(Note 6)*	**200**	182
Long-term debt due within one year *(Note 5)*	**134**	179
Regulatory liabilities *(Note 4)*	**276**	276
	2,068	2,078
Long-term debt *(Note 5)*	**9,485**	9,487
Other liabilities		
Fixed asset removal and nuclear waste management liabilities *(Note 7)*	**23,652**	23,415
Pension liabilities	**2,793**	2,846
Other post-employment benefit liabilities	**3,255**	3,215
Long-term accounts payable and accrued charges	**337**	352
Deferred revenue	**380**	382
Deferred income taxes	**1,678**	1,634
Regulatory liabilities *(Note 4)*	**726**	777
	32,821	32,621
Equity		
Common shares *(Note 12)*	**5,126**	5,126
Class A shares *(Note 12)*	**787**	787
Contributed surplus	**33**	34
Retained earnings	**11,607**	11,104
Accumulated other comprehensive loss *(Note 8)*	**(283)**	(262)
Equity attributable to the Shareholder	**17,270**	16,789
Equity attributable to non-controlling interest	**178**	178
Total equity	**17,448**	16,967
	61,822	61,153

Commitments and Contingencies *(Notes 5, 6, 9 and 14)*

See accompanying notes to the interim consolidated financial statements

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

Three Months Ended March 31 *(millions of dollars)*	**2022**	**2021**
Common shares *(Note 12)*	**5,126**	5,126
Class A shares *(Note 12)*	**787**	787
Contributed surplus		
Balance at beginning of period	**34**	36
Reclassification to income of amounts related to gain on deconsolidation of Fair Hydro Trust	**(1)**	(1)
Balance at end of period	**33**	35
Retained earnings		
Balance at beginning of period	**11,104**	9,779
Net income attributable to the Shareholder	**503**	290
Balance at end of period	**11,607**	10,069
Accumulated other comprehensive loss, net of income taxes *(Note 8)*		
Balance at beginning of period	**(262)**	(374)
Other comprehensive loss	**(21)**	(12)
Balance at end of period	**(283)**	(386)
Equity attributable to the Shareholder	**17,270**	15,631
Equity attributable to non-controlling interest		
Balance at beginning of period	**178**	178
Income attributable to non-controlling interest	**4**	5
Distribution to non-controlling interest	**(4)**	(5)
Balance at end of period	**178**	178
Total equity	**17,448**	15,809

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 months ended March 31, 2022 and 2021 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, 2021.

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 2021 comparative amounts have been reclassified from consolidated financial statements previously presented to conform to the 2022 interim consolidated financial statement presentation.

Seasonal Variations

OPG's quarterly electricity generation from the Regulated – Hydroelectric Generation, Contracted Hydroelectric and Other Generation, and Atura Power 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 Atura Power 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. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

As at *(millions of dollars)*	**March 31 2022**	**December 31 2021**
Cash and cash equivalents	**915**	692
Restricted cash	**18**	6
Total cash, cash equivalents and restricted cash	**933**	698

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

4. REGULATORY ASSETS AND REGULATORY LIABILITIES

The regulatory assets and regulatory liabilities consist of the following:

As at *(millions of dollars)*	**March 31 2022**	**December 31 2021**
Regulatory assets		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Versus Accrual Differential Deferral Account	**935**	979
Rate Smoothing Deferral Account	**540**	531
Hydroelectric Surplus Baseload Generation Variance Account	**397**	404
Bruce Lease Net Revenues Variance Account	**112**	145
Nuclear Development Variance Account	**124**	122
Other variance and deferral accounts [1]	**104**	91
	2,212	2,272
Pension and OPEB Regulatory Asset *(Note 9)*	**2,848**	2,877
Deferred Income Taxes	**1,635**	1,606
Total regulatory assets	**6,695**	6,755
Less: current portion	**288**	288
Non-current regulatory assets	**6,407**	6,467
Regulatory liabilities		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Payment Variance Account	**496**	509
Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account	**142**	163
Hydroelectric Water Conditions Variance Account	**137**	135
Nuclear Deferral and Variance Over/Under Recovery Variance Account	**79**	80
Other variance and deferral accounts [2]	**105**	119
	959	1,006
COVID-19 net credit to ratepayers	**43**	47
Total regulatory liabilities	**1,002**	1,053
Less: current portion	**276**	276
Non-current regulatory liabilities	**726**	777

[1] Represents amounts for the Pension and OPEB Cost Variance Account, the Nuclear Liability Deferral Account, the Hydroelectric Deferral and Variance Over/Under Recovery 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 Capacity Refurbishment 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 Optimization of Pickering Station End-of-Life Dates Deferral Account.

In December 2021, OPG completed a comprehensive update of the estimate for its obligations for nuclear waste management and nuclear facilities decommissioning as part of the required process to periodically update the reference plan under the Ontario Nuclear Funds Agreement (ONFA) between OPG and the Province. The updated reference plan, for the years 2022 to 2026, was approved by the Province in March 2022, with an effective date of January 1, 2022. The regulated prices in effect during this period, established through the final payment amounts issued by the OEB in January 2022 on OPG's 2022-2026 rate application, do not reflect the impact of the 2022 ONFA Reference Plan. As a result, OPG recorded a regulatory asset of $47 million for the Nuclear Liability Deferral Account in the first quarter of 2022, representing the revenue requirement impact for the Darlington and Pickering nuclear generating stations arising from the approved 2022 ONFA Reference Plan. OPG will continue to record additions to the Nuclear Liability Deferral Account until impacts arising from the approved 2022 ONFA Reference Plan are reflected by the OEB in setting new base regulated prices in the future. The cost impact of changes to OPG's Nuclear Liabilities associated with the Bruce nuclear generating stations is recorded as part of additions to the Bruce Lease Net Revenue Variance Account.

5. LONG-TERM DEBT AND NET INTEREST EXPENSE

Long-term debt consists of the following:

As at *(millions of dollars)*	**March 31 2022**	**December 31 2021**
Medium Term Note Program senior notes	**4,350**	4,350
Senior notes payable to the Ontario Electricity Financial Corporation	**2,650**	2,690
UMH Energy Partnership senior notes	**169**	169
PSS Generating Station Limited Partnership senior notes	**245**	245
Lower Mattagami Energy Limited Partnership senior notes	**1,745**	1,745
OPG Eagle Creek Holdings LLC and subsidiaries senior notes	**464**	471
Other	**25**	25
	9,648	9,695
Plus: net fair value premium	**9**	10
Less: unamortized bond issuance fees	**(38)**	(39)
Less: amounts due within one year	**(134)**	(179)
Long-term debt	**9,485**	9,487

OPG repaid long-term debt of $40 million to the Ontario Electricity Financial Corporation (OEFC) during the three months ended March 31, 2022.

Net Interest Expense

The following table summarizes the net interest expense:

	Three Months Ended March 31	
(millions of dollars)	**2022**	**2021**
Interest on long-term debt	**90**	95
Interest on short-term debt	**1**	2
Interest income	**(9)**	(9)
Interest capitalized to property, plant and equipment and intangible assets	**(26)**	(16)
Interest related to regulatory assets and regulatory liabilities [1]	**(6)**	(12)
Net interest expense	**50**	60

[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.

6. SHORT-TERM DEBT

Committed credit facilities and maturity dates as at March 31, 2022 were as follows:

(millions of dollars)		**Amount**	**Maturity**
Bank facilities:			
Corporate		**1,000**	May 2026
Corporate	US Dollars	**750**	November 2022 [1]
Lower Mattagami Energy Limited Partnership		**400**	August 2026 [2]
OPG Eagle Creek Holdings LLC and subsidiaries	US Dollars	**25**	August 2023 and October 2028 [3]
OEFC facility [4]		**750**	December 2026

[1] The facility has a one-year extension option beyond the maturity date of November 2022.
[2] Letter of credit of $55 million was outstanding under this facility as at March 31, 2022.
[3] Of the total credit facility, $5 million matures in August 2023 and $20 million matures in October 2028.
[4] Represents amounts available under the facility, net of debt issuances.

Short-term debt consist of the following:

As at *(millions of dollars)*	**March 31** **2022**	**December 31** **2021**
Lower Mattagami Energy Limited Partnership	**160**	125
Corporate commercial paper	**40**	57
Total short-term debt	**200**	182

As of March 31, 2022, a total of $529 million of Letters of Credit had been issued (December 31, 2021 – $530 million). As of March 31, 2022, this included $395 million for the supplementary pension plans, $14 million for OPG Eagle Creek Holdings LLC and its subsidiaries, $55 million for Lower Mattagami Energy Limited Energy Partnership, $42 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 three months ended March 31, 2022, net issuances of short-term debt totalled $18 million (March 31, 2021 – net repayments of $638 million), which was comprised of issuances of $439 million (March 31, 2021 – $1,018 million) and repayments of $421 million (March 31, 2021 – $1,656 million).

The weighted average interest rate on the short-term debt as of March 31, 2022 is 0.63 percent (December 31, 2021 – 0.28 percent).

7. 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)*	**March 31 2022**	**December 31 2021**
Liability for used nuclear fuel management	**13,891**	13,744
Liability for nuclear decommissioning and nuclear low and intermediate level waste management	**9,458**	9,371
Liability for non-nuclear fixed asset removal	**303**	300
Fixed asset removal and nuclear waste management liabilities	**23,652**	23,415

8. 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:

	Three Months Ended March 31, 2022			
(millions of dollars)	**Unrealized Gains and Losses on Cash Flow Hedges**	**Pension and OPEB**	**Currency Translation Adjustment**	**Total**
AOCL, beginning of period	**(7)**	**(186)**	**(69)**	**(262)**
Translation of foreign operations	**-**	**-**	**(26)**	**(26)**
Amounts reclassified from AOCL	**3**	**2**	**-**	**5**
Other comprehensive income (loss) for the period	**3**	**2**	**(26)**	**(21)**
AOCL, end of period	**(4)**	**(184)**	**(95)**	**(283)**

	Three Months Ended March 31, 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)
Translation of foreign operations	-	-	(20)	(20)
Amounts reclassified from AOCL	3	5	-	8
Other comprehensive income (loss) for the period	3	5	(20)	(12)
AOCL, end of period	(15)	(291)	(80)	(386)

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

(millions of dollars)	Amount Reclassified from AOCL for the Three Months Ended March 31 2022	2021	Statement of Income Line Item
Amortization of losses from cash flow hedges			
Losses	**3**	3	Net interest expense
Income tax expense	**-**	-	Income tax expense
	3	3	
Amortization of amounts related to pension and OPEB			
Actuarial losses	**3**	6	See (1) below
Income tax recovery	**(1)**	(1)	Income tax expense
	2	5	
Total reclassifications for the period	**5**	8	

1 These AOCL components are included in the computation of pension and OPEB costs (see Note 9 for additional details).

Existing pre-tax net losses for derivatives of $9 million deferred in AOCL as at March 31, 2022 are expected to be reclassified to net income within the next 12 months.

9. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

OPG's pension and other post-employment benefit (OPEB) costs for the three months ended March 31, 2022 and 2021 were as follows:

(millions of dollars)	Registered Pension Plans 2022	2021	Supplementary Pension Plans 2022	2021	Other Post-Employment Benefits 2022	2021
Components of Cost Recognized for the Year						
Current service costs	**86**	92	**2**	2	**22**	23
Interest on projected benefit obligation	**133**	106	**2**	2	**24**	20
Expected return on plan assets, net of expenses	**(227)**	(215)	**-**	-	**-**	-
Amortization of net actuarial loss [1]	**30**	68	**2**	2	**-**	2
Costs recognized [2]	**22**	51	**6**	6	**46**	45

1 The net impact of amortization of net actuarial loss is recognized as an increase to other comprehensive income. This increase for the three months ended March 31, 2022 was partially offset by a decrease in the Pension and OPEB Regulatory Asset of $29 million (three months ended March 31, 2021 – $66 million).

2 Pension and OPEB costs for the three months ended March 31, 2022 exclude the net addition of costs of $26 million resulting from the recognition of changes in the regulatory assets for the Pension and OPEB Cost Variance Account, the Pension & OPEB Cash Versus Accrual Differential Deferral Account and the Pension & OPEB Cash Payment Variance Account (three months ended March 31, 2021 – net addition of costs of $13 million).

10. 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. Although revenue from these facilities represents a small portion of OPG's overall revenue, the Company may enter into derivative instruments from time to time to further mitigate this risk.

Credit

The Company's credit risk exposure is primarily a function of its electricity and other sales. The majority of OPG's revenue is derived from electricity sales through the IESO administered market. Market participants in the IESO market provide collateral in accordance with the IESO prudential support requirements to cover funds that they might owe to the market. Although the credit exposure to the IESO represents a significant portion of OPG's accounts receivable, the risk is considered acceptable due to the IESO's primary role in the Ontario electricity market. The remaining receivables exposure is to a diverse group of generally high quality counterparties. OPG's allowance for doubtful accounts was $1 million as at March 31, 2022 and December 31, 2021.

The fair value of the derivative instruments totalled a net liability of $9 million as at March 31, 2022 (December 31, 2021 − $19 million).

11. 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.

A summary of OPG's financial instruments and their fair value as at March 31, 2022 and December 31, 2021 was as follows:

	Fair Value		Carrying Value [1]		
(millions of dollars)	**2022**	**2021**	**2022**	**2021**	**Balance Sheet Line Item**
Nuclear Segregated Funds (includes current portion) [2]	**20,096**	19,876	**20,096**	19,876	Nuclear fixed asset removal and nuclear waste management funds
Loan receivable - from Fair Hydro Trust	**860**	940	**910**	911	Loan receivable
Investment in Hydro One Limited Shares	**173**	176	**173**	176	Equity securities
Payable related to cash flow hedges	**(7)**	(9)	**(7)**	(9)	Long-term accounts payable and accrued charges
Long-term debt (includes current portion)	**(9,520)**	(10,757)	**(9,619)**	(9,666)	Long-term debt
Other financial instruments	**19**	17	**19**	17	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)*	March 31, 2022 Level 1	Level 2	Level 3	Total
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**6,880**	**5,533**	**-**	**12,413**
Investments measured at NAV [1]				**3,015**
				15,428
Due to Province				**(3,977)**
Used Fuel Segregated Fund, net				**11,451**
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**5,317**	**4,185**	**-**	**9,502**
Investments measured at NAV [1]				**2,382**
				11,884
Due to Province				**(3,239)**
Decommissioning Segregated Fund, net				**8,645**
Equity securities	**173**	**-**	**-**	**173**
Other financial assets	**19**	**1**	**34**	**54**
Liabilities				
Other financial liabilities	**(34)**	**(1)**	**-**	**(35)**

As at *(millions of dollars)*	December 31, 2021 Level 1	Level 2	Level 3	Total
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	7,342	6,013	-	13,355
Investments measured at NAV [1]				2,725
				16,080
Due to Province				(4,815)
Used Fuel Segregated Fund, net				11,265
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	5,628	4,592	-	10,220
Investments measured at NAV [1]				2,166
				12,386
Due to Province				(3,775)
Decommissioning Segregated Fund, net				8,611
Equity securities	176	-	-	176
Other financial assets	13	-	36	49
Liabilities				
Other financial liabilities	(32)	-	-	(32)

[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 consolidated balance sheets.

During the three months ended March 31, 2022, there were no transfers between Level 1 and Level 2 and into or out of Level 3.

The changes in the net assets measured at fair value that are classified as Level 3 financial instruments for the three months ended March 31, 2022 were as follows:

(millions of dollars)	**Other financial instruments**
Opening balance, January 1, 2022	**36**
Unrealized losses included in revenue	**(2)**
Realized losses included in revenue	**(2)**
Purchases	**2**
Closing balance, March 31, 2022	**34**

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 March 31, 2022 were as follows:

(millions of dollars except where noted)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice**
Real Assets				
Infrastructure	**2,968**	**1,077**	**n/a**	**n/a**
Real Estate	**2,252**	**1,278**	**n/a**	**n/a**
Agriculture	**177**	**16**	**n/a**	**n/a**
Pooled Funds				
Short-term Investments	**18**	**n/a**	**Daily**	**1-5 days**
Fixed Income	**2,025**	**n/a**	**Daily**	**1-5 days**
Equity	**883**	**n/a**	**Daily**	**1-5 days**
Total	**8,323**	**2,371**		

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.

12. SHARE CAPITAL

Common Shares

As at March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021, OPG had 18,343,815 Class A shares issued and outstanding at a stated value of $787 million.

13. 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 March 31, 2022 and December 31, 2021 was 274.6 million. There were no dilutive securities during the three months ended March 31, 2022 and for the year ended December 31, 2021.

14. COMMITMENTS AND CONTINGENCIES

Litigation

Various 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 March 31, 2022, the total amount of guarantees provided by OPG was $35 million (December 31, 2021 – $35 million). As at March 31, 2022, the potential impact of the fair value of the outstanding guarantees to income is $1 million and OPG does not expect to make any payments associated with these guarantees.

Contractual Obligations

OPG's contractual obligations as at March 31, 2022 were as follows:

(millions of dollars)	2022 [1]	2023	2024	2025	2026	Thereafter	Total
Fuel supply agreements	83	113	50	40	39	35	360
Contributions to the OPG registered pension plan [2]	133	180	48	-	-	-	361
Long-term debt repayment	114	44	607	576	675	7,632	9,648
Interest on long-term debt	262	348	337	323	307	4,634	6,211
Short-term debt repayment	200	-	-	-	-	-	200
Commitments related to Darlington Refurbishment project [3]	192	-	-	-	-	-	192
Operating licences	32	46	47	48	48	248	469
Operating lease obligations	9	9	7	5	4	16	50
Accounts payable, accrued charges and other payables	1,239	1	-	-	-	-	1,240
Other	57	66	17	11	10	93	254
Total	2,321	807	1,113	1,003	1,083	12,658	18,985

[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 April 1, 2021. The next actuarial valuation of the OPG registered pension plan must have an effective date no later than April 1, 2024. 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 April 1, 2024 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.

Outsourcing Agreements

On February 1, 2022, OPG insourced some of its information technology service operations, which had been previously outsourced to New Horizon System Solutions LP (NHSS) since 2000. The remaining represented employees of NHSS are expected to be transferred to OPG in 2024.

15. BUSINESS SEGMENTS

Segment Income (Loss) For the Three Months Ended March 31, 2022 *(millions of dollars)*	**Regulated**			**Unregulated**				
	Nuclear Generation	**Nuclear Sustainability Services**	**Hydroelectric Generation**	**Contracted Hydroelectric and Other Generation**	**Atura Power**	**Other**	**Elimination**	**Total**
Revenue	1,125	-	387	203	226	18	-	1,959
Leasing revenue	7	-	-	-	-	3	-	10
Other revenue	-	50	-	-	-	7	(68)	(11)
Total revenue	1,132	50	387	203	226	28	(68)	1,958
Fuel expense	68	-	64	12	102	-	-	246
Gross margin	1,064	50	323	191	124	28	(68)	1,712
Operations, maintenance and administration expenses	559	50	86	55	15	20	(68)	717
Depreciation and amortization expenses	151	-	42	38	28	17	-	276
Accretion on fixed asset removal and nuclear waste management liabilities	-	283	-	2	-	1	-	286
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(258)	-	-	-	-	-	(258)
Property taxes	5	-	1	6	1	-	-	13
Other losses (gains)	-	-	1	1	-	(5)	-	(3)
Income (loss) before interest and income taxes	349	(25)	193	89	80	(5)	-	681
Net interest expense								50
Income before income taxes								631
Income tax expense								124
Net income								507

Segment Income (Loss) For the Three Months Ended March 31, 2021 *(millions of dollars)*	**Regulated** Nuclear Generation	**Regulated** Nuclear Sustainability Services	**Regulated** Hydroelectric Generation	**Unregulated** Contracted Hydroelectric and Other Generation	**Unregulated** Atura Power	**Unregulated** Other	Elimination	Total
Revenue	939	-	388	181	159	5	-	1,672
Leasing revenue	7	-	-	-	-	4	-	11
Other revenue	-	45	-	-	-	24	(61)	8
Total revenue	946	45	388	181	159	33	(61)	1,691
Fuel expense	59	-	69	11	45	-	-	184
Gross margin	887	45	319	170	114	33	(61)	1,507
Operations, maintenance and administration expenses	646	45	92	59	17	14	(61)	812
Depreciation and amortization expenses	145	-	52	37	28	16	-	278
Accretion on fixed asset removal and nuclear waste management liabilities	-	270	-	2	-	1	-	273
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(239)	-	-	-	-	-	(239)
Property taxes	7	-	-	4	1	1	-	13
Other losses (gains)	-	-	-	1	-	(5)	-	(4)
Income (loss) before interest and taxes	89	(31)	175	67	68	6	-	374
Net interest expense								60
Income before income taxes								314
Income tax expense								19
Net income								295

16. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	Three Months Ended March 31	
(millions of dollars)	**2022**	**2021**
Receivables from related parties	**(41)**	3
Fuel Inventory	**(35)**	(40)
Materials and supplies	**11**	7
Prepaid expenses	**(3)**	(23)
Other current assets	**24**	5
Accounts payable, accrued charges and other payables	**82**	58
Net changes to non-cash working capital balances	**38**	10

17. SALE OF NON-CORE REAL ESTATE SITES

OPG has executed an agreement to sell the premises located at 800 Kipling Avenue in Toronto, Ontario. The after-tax gain on sale expected to be recognized upon completing the transaction, including the impact of revisions to the related asset retirement obligation, is estimated to be approximately $125 million, subject to certain closing conditions. The sale is expected to be completed in the second half of 2022. The asset is held within the Other current assets category in the interim consolidated balance sheets.

In March 2022, OPG received a Shareholder Declaration and a Shareholder Resolution that requires the Company to not proceed with and to terminate the agreement of purchase and sale with the Corporation of the Town of Port Hope to sell the property located at 2655 Lakeshore Road in the Town of Port Hope, Ontario. The asset has been re-classified to property, plant and equipment as at March 31, 2022.