Rating Report

Ontario Power Generation Inc.

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DBRS
Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A (low)	Confirmed	Stable
Unsecured Debt	A (low)	Confirmed	Stable
Commercial Paper	R-1 (low)	Confirmed	Stable

Rating Update

On April 6, 2018, DBRS Limited (DBRS) confirmed the Issuer Rating and the Unsecured Debt rating of Ontario Power Generation Inc. (OPG or the Company) at A (low) and its Commercial Paper (CP) rating at R-1 (low). All trends are Stable. The ratings of OPG continue to be supported by (1) the reasonable regulatory regime in place for the Company's regulated generation facilities, (2) strong cash flow-to-debt and debt-to-capital ratios and (3) continuing financial support from its shareholder, the Province of Ontario (the Province; rated AA (low) with a Stable trend by DBRS). The Province, through its agent, the Ontario Electricity Financial Corporation (OEFC; rated AA (low) with a Stable trend by DBRS), provides most of OPG's financing (approximately 48% of consolidated debt). The Company's remaining debt includes project financing (33%), non-recourse debt issued by the Fair Hydro Trust (9%), CP (2%) and Senior Notes issued under the Medium Term Note Program (8%).

In March 2017, the Province announced its Fair Hydro Plan to reduce customer bills by 17% (plus an 8% HST rebate for a total reduction of 25%), with the Independent Electricity System Operator (IESO; rated A (high) with a Stable trend by DBRS) recording the monthly shortfall (as a result of the rate reduction) in a regulatory variance account. Under Bill 132, *Fair Hydro Act, 2017*, OPG was appointed as the Financial Services Manager and created a financing entity (Fair Hydro Trust; Senior Notes rated AAA (sf) by DBRS) that may acquire an investment interest in the regulatory variance account from the IESO. DBRS does not expect the Fair Hydro Plan to negatively impact the Company's credit profile as (1) the Fair Hydro Trust is bankruptcy remote and ring-fenced from OPG (all debt is, and will be, non-recourse to the Company); (2) while OPG is expected to acquire up to 49% of the debt that will be issued by the Fair Hydro Trust, 44% will be funded through equity injections from the Province (with the remaining 5% to be funded by OPG); and (3) the Subordinated Notes and Junior Subordinated Notes to be acquired by the Company are rated AA (sf) and A (sf), respectively, by DBRS.

In December 2017, the Ontario Energy Board (OEB) issued its decision on OPG's application for 2017–2021 rates. OPG had applied to transition to five-year incentive rate-setting (IR) regimes, with the hydroelectric facilities to operate under Price Cap IR and

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Financial Information

	For the year ended December 31				
	2017	**2016**	**2015**	**2014**	**2013**
Cash flow/Total debt 1, 2	40.6%	40.6%	31.9%	28.7%	26.9%
Total debt in capital structure 1, 2, 3	26.2%	34.3%	35.8%	37.3%	40.8%
EBIT gross interest coverage (times) 2, 4	(0.24)	(0.14)	(0.86)	0.27	(1.05)
EBITDA gross interest coverage (times) 4	2.17	4.05	2.89	2.75	2.21
(Cash flow - n.w.f.)/Total debt 5	22.0%	32.7%	25.1%	22.1%	20.6%

1 Including operating leases. 2 Excludes non-recourse debt. 3 Adjusted for Accumulated Other Comprehensive Income. 4 Excluding earnings from nuclear fixed asset removal and nuclear waste management funds. 5 Included nuclear waste funding (n.w.f.) payments as they are not discretionary.

Issuer Description

OPG is an electricity generating company with a diverse portfolio of over 16,000 megawatts (MW) of in-service generating capacity. The Company is wholly owned by the Province of Ontario.

Rating Update (CONTINUED)

the nuclear facilities under Custom IR (see the Regulation section for more details). This transition is not expected to materially affect the Company as (1) the hydroelectric segment has relatively stable generation output, (2) the nuclear production forecast takes into account the ongoing Darlington Refurbishment and (3) OPG can initiate a regulatory review if actual return on equity (ROE) falls 300 basis points (bps) below the approved ROE. However, DBRS believes the inclusion of stretch factors (0.3% for hydroelectric and 0.6% for nuclear) and the disallowance of $100 million per year from the nuclear operations, maintenance and administration (OM&A) budget will likely result in continuing weakness in OPG's profitability. In 2017, excluding a one-time gain on the sale of its head office, the Company recorded a corporate ROE of 5.1%, significantly below the allowed regulatory ROE of 8.78%. DBRS notes that this can be partly attributed to OPG's capitalization above the deemed equity component of 45%, and because new rates were approved to be effective June 1, 2017, instead of January 1, 2017, as applied. DBRS views a rating upgrade in the short term to be unlikely because of the Company's current large capital expenditures (capex) program. A downgrade could occur should there be significant cost overruns with the Darlington Refurbishment that result in stranded costs.

Rating Considerations

Strengths

1. Support of shareholder (the Province)

The Province indirectly provides OPG with a large portion of its long-term funding requirements through the OEFC, a government-financing arm for provincial power companies. However, this debt is not directly guaranteed by the Province. As at December 31, 2017, OPG had approximately $3.2 billion of notes payable to the OEFC, comprising 48% of the Company's outstanding debt. Additionally, as part of the Fair Hydro Plan, the Province will provide most of the funding for OPG's share of investment in the Fair Hydro Trust's debt. DBRS believes that the Province will continue to support its investment since OPG is a creation of the Province and is integral to fulfilling Ontario's energy needs.

2. Dominant market position in Ontario

OPG's importance in Ontario is demonstrated by the fact that it is the primary electricity generator in the Province, accounting for approximately 51% of electricity produced in Ontario in 2017.

3. Reasonable regulatory framework

The reasonable regulatory framework has allowed the Company to recover prudently incurred costs; however, DBRS notes that the unsuccessful appeal of the OEB's decision to disallow labour compensation costs related to OPG's nuclear operations has increased uncertainty regarding the Company's ability to fully recover its nuclear cost through future regulated prices (refer to the Regulation section for details). DBRS also notes that, under an IR framework, OPG's profitability could come under further pressure because of the need to meet efficiency and productivity benchmarks.

4. Limited nuclear waste management liabilities

As a result of the Ontario Nuclear Funds Agreement with the Province, OPG's exposure relating to nuclear waste management liabilities has been capped at $5.94 billion (in 1999 dollar terms) for the initial 2.23 million used fuel bundles produced. The Company is, however, responsible for the incremental costs related to the management of used fuel bundles in excess of 2.23 million bundles (currently 2.5 million). The Province provides a guarantee for any shortfall between the value of the nuclear fund and the Canadian Nuclear Safety Commission consolidated financial guarantee requirement.

Challenges

1. Significant capex program

OPG has a significant capex program underway (approximately $2.1 billion planned for 2018). The Company also faces significant execution risk as well as the potential for cost overruns associated with the Darlington Refurbishment because of the project's complexity and scale. It is expected that OPG will not undertake any major capex without having financing and a cost-recovery mechanism in place, thus minimizing financial risks.

2. Nuclear generation risks

Nuclear generation faces higher operating risks than other types of generation because of its complex technology (approximately 55% of OPG's production in 2017). Financial implications of forced outages, especially with older units (e.g., the Pickering Nuclear Generating Station (GS)), are greater given the high fixed-cost nature of these plants as well as the fact that lost revenues resulting from outages are not recoverable through rates.

3. High cost base

OPG's high cost base has resulted in several disallowances by the OEB. In its decision on OPG's application for 2014 and 2015 rates, the OEB disallowed recovery of $100 million of compensation costs for each of 2014 and 2015. Additionally, in September 2015, the Supreme Court of Canada upheld the OEB's 2011 decision to disallow $145 million of forecast nuclear compensation costs for 2011 and 2012. For the most recent 2017–2021 rates decision, the OEB disallowed recovery of $100 million in the OM&A budget

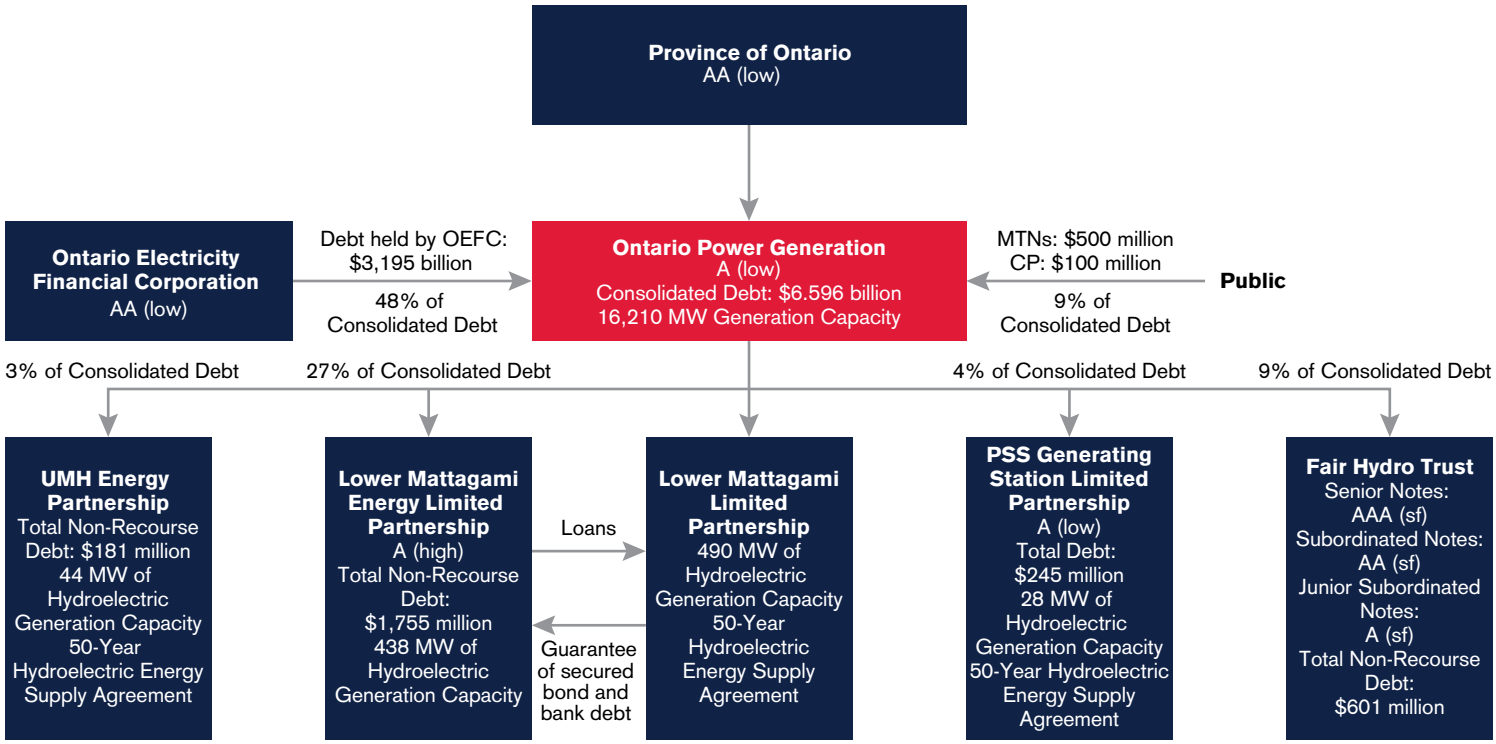
Rating Considerations (CONTINUED)

annually. DBRS believes that OPG's inability to fully recover compensation costs in future regulated prices could have a negative impact on earnings and affect the Company's ability to achieve its approved ROE. DBRS notes that OPG has been combatting this issue through its cost-reduction and efficiency-improvement initiative, which has saved $1.0 billion through a reduction in headcount by over 2,800 since 2011.

4. Political intervention

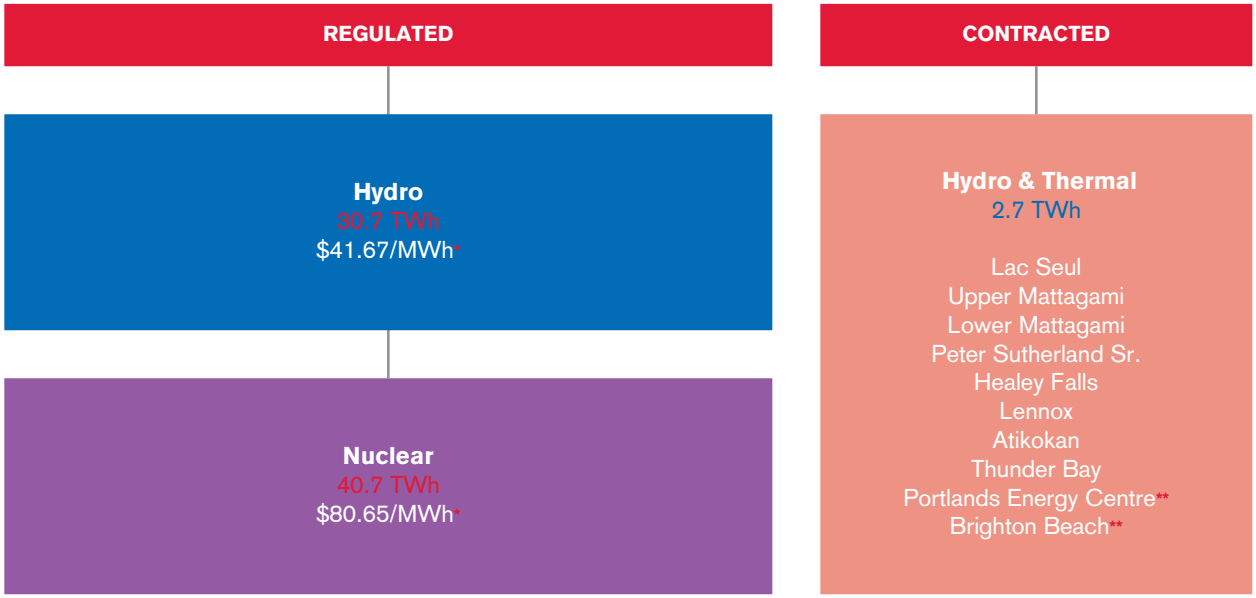
OPG is subject to political intervention, largely because of its ownership by the Province and changes in government mandates and policies. DBRS notes that the Province has committed to having the Company run more autonomously; however, the risk of further government intervention still exists.

Simplified Organizational Chart



As of December 31, 2017.

OPG's Price Structure



* Rates as of July 1, 2017 to December 31, 2017 calculated and submitted to the OEB.
** 50% ownership interest.

For the year ended December 31, 2017.

- OPG sells electricity to consumers through the IESO.
- Regulated facilities sell at rates set by the OEB, which could include rate riders used for the recovery of nuclear deferral and hydroelectric variance account balances.
- The Contracted Generation Portfolio primarily sells electricity at prices set through Energy Supply Agreements (ESAs) or other long-term contracts with the IESO.

Major Projects

Project	Estimated Cost (CAD millions)	Spent as of Dec. 31, 2017 (CAD millions)	In-Service Target Date
Darlington Refurbishment	12,800	4,434	2026*
Peter Sutherland Sr. Hydroelectric GS	300	277	2017**
Sir Adam Beck Pump GS Reservoir Refurbishment	58	49	2017***
Ranney Falls Hydroelectric GS	77	28	2019
Nanticoke Solar Facility	107	3	2019

* Four units with staged in-service. Last unit scheduled to be completed by 2026. ** PSS GS was placed in-service on March 31, 2017. *** Refurbishment completed and reservoir returned to service in February 2017.

- **Darlington Refurbishment:** The Darlington Refurbishment will extend the operating life of the Darlington Nuclear GS by approximately 30 years. The execution of the refurbishment for the first unit began in October 2016 and the last unit is scheduled to be completed by 2026. The project is currently tracking on schedule and on budget.
- **Peter Sutherland Sr. (PSS) GS Project:** The PSS GS (PSS Generating Station LP (New Post Creek), rated A (low) with a Stable trend by DBRS) is a 28-MW hydroelectric station on the Abitibi River. The project has a 50-year hydro ESA with the IESO, which protects it from hydrology and power price risk. Additionally, OPG guarantees the PSS GS's debt until the

Major Projects (CONTINUED)

Recourse Release Date (see DBRS's PSS Generating Station LP (New Post Creek) rating report dated October 16, 2017, for more details). The station was put in service on March 31, 2017.

- **Sir Adam Beck Pump GS Reservoir Refurbishment:** This project included the refurbishment of a 300-hectare reservoir to store water that can generate up to 600 MW of electricity. Construction began in April 2016 and was completed in February 2017, below budget and ahead of the planned in-service date of April 2017.
- **Ranney Falls Hydroelectric GS:** The Ranney Falls Hydroelectric GS project will replace an existing generation unit at Ranney Falls with a 10-MW single-unit powerhouse. Construction commenced in 2017 and is currently tracking on schedule and on budget.
- **Nanticoke Solar Facility:** In March 2016, OPG announced that it had been selected by the IESO to develop a 44-MW solar facility near the Nanticoke GS. Site preparation commenced in March 2018 with the project expected to be completed by Q1 2019.

Regulation

- OPG benefits from a reasonable regulated environment. As at December 31, 2017, 75% of its installed in-service capacity is regulated.
- OPG, regulated by the OEB under the *Electricity Restructuring Act, 2004 (Ontario)*, is allowed to receive regulated prices for all electricity generated from its nuclear facilities (5,728 MW) as well as most of its hydroelectric power facilities (6,426 MW).
- In May 2016, OPG filed its application with the OEB for rates effective January 1, 2017. The OEB issued its decision in December 2017.
  - The OEB approved for rates to be effective June 1, 2017, rather than the applied-for effective date of January 1, 2017.
  - Capital structure will remain at 55% debt (the Company had requested a change to 51% debt) and an allowed ROE of 8.78%. The ROE will not be updated throughout the five-year term.
  - For hydroelectric facilities, the Price Cap IR methodology is used. Under Price Cap IR, rates for the hydroelectric facilities are subject to a formula price cap that allows for an annual increase in the payment amount based on inflation less productivity and a utility-specific stretch factor, which can be reset annually (productivity factor of 0%, stretch factor of 0.3%, and inflation of 1.7% for 2017 and 1.2% for 2018).
  - Under Price Cap IR, OPG could file an Incremental Capital Module application to potentially recover any material and necessary prudently spent incremental capex during the IR period of five years. Additionally, the Company could initiate a regulatory review of its application if actual ROE falls 300 bps below the approved ROE.
  - For nuclear facilities, OPG requested the use of a Custom IR methodology and a rate-smoothing deferral account. Under its Custom IR methodology, nuclear revenue requirements were determined by a five-year forecast cost-of-service approach, but with a stretch factor of 0.6% applied to the Company's OM&A expenditures. The reduction to OM&A costs as a result of the stretch factor will accumulate for the five-year period. The rate smoothing deferral account (as required under Ontario Regulation 53/05) will stabilize year-to-year changes to weighted average payment amounts as the Company continues on the Darlington Refurbishment. OPG will defer a portion of its approved nuclear revenue requirements into the rate-smoothing deferral account and will be allowed to recover the deferred amount, and any amount to be deferred from 2022–2026, over a ten-year period once the Darlington Refurbishment is completed.
  - The OEB reduced the nuclear OM&A budget by $100 million per year for a total of $500 million over five years. Additionally, the OEB did not approve for a mid-term review (prior to July 1, 2019) to update the nuclear production forecast.
  - The OEB approved for the inclusion of $5.5 billion into rate base, over the five-year period of the Custom IR, for the Darlington Refurbishment. Any cost overruns will be subject to a prudence review before being added to the rate base.
  - The OEB also approved for the recovery of balances as at December 31, 2015, in OPG's deferral and variance accounts.
- OPG submitted a motion to review and vary the decision to the OEB in January 2018. The Company is seeking to revise the effective date of rates to January 1, 2017 (as originally applied for), rather than June 1, 2017.

Earnings and Outlook

	For the year ended December 31				
(CAD millions where applicable)	2017	2016	2015	2014	2013
Revenues	5,158	5,653	5,476	4,963	4,863
EBITDA 1	642	1,207	848	826	638
EBIT 1	(37)	(50)	(252)	72	(325)
Gross interest expense	296	298	293	300	289
Earning before taxes 1	(92)	(116)	(407)	36	(373)
Net income before non-recurring items 1	(14)	(106)	(271)	88	(261)
Reported net income	860	436	402	804	135
Return on equity	-0.1%	-1.0%	-2.8%	1.0%	-3.2%
Hydroelectric rate base	N/A	7,447	7,490	7,526	4,829
Nuclear rate base	3,628	3,573	3,655	3,714	3,780
Approved regulated ROE	8.78%	9.19%	9.30%	9.36%	9.55%
Achieved regulated ROE	N/A	3.80%	2.67%	6.32%	0.46%

1 Excluding earnings from nuclear fixed asset removal and nuclear waste management funds.

2017 Summary

- EBITDA decreased significantly because of (1) lower revenues following the expiry of OEB-authorized rate riders on December 31, 2016, for the regulated hydroelectric and nuclear segments; (2) lower nuclear generation because of the Darlington Refurbishment; and (3) higher maintenance expense for the year.
  - This was partly offset by (1) the rate decision, approved by the OEB in December 2017, which increased revenues, and (2) higher revenues with the in-service of PSS GS in Q1 2017.
  - Earnings were also lower than forecasted as the OEB decision was for rates effective June 1, 2017, rather than the applied-for date of January 1, 2017.
- EBIT increased as the lower amortization of regulatory assets and liabilities largely cancelled out revenues from the expired rate riders. However, EBIT remained negative for the year.
- While net income before non-recurring items improved significantly in 2017, it remained negative. Additionally, although OPG reported a corporate ROE of 7.6%, this included a non-recurring gain on the sale of the head office premises and associated parking facility ($283 million, net of tax effects of $95 million). Excluding this gain, corporate ROE would have been 5.1%, significantly below the regulatory allowed ROE of 8.78%. DBRS notes the difference can be partly attributed to OPG's capitalization at around 35% versus the regulatory capital structure of 55% debt.

2018 Outlook

- OPG's earnings are expected to see improvement in 2018 following the OEB's decision on the Company's 2017–2021 rate application.
  - 2018 rates for the hydroelectric generation segment are expected to increase by 0.9%, while rates for the nuclear generation segment will increase as per the Custom IR decision.
  - DBRS notes, however, earnings may see pressure from the stretch factors embedded in the decisions (0.3% for hydroelectric and 0.6% for nuclear). Earnings from the nuclear generation segment may also be pressured as the OEB decreased the approved OM&A budget by $100 million.
- Earnings should also benefit from (1) a full year's operation of the PSS GS and (2) interest income from the Fair Hydro Trust segment.
- Earnings volatility going forward will come from (1) forecast risk as part of the IR process and (2) macro factors such as weather, unexpected outages and Ontario's economic conditions.

Financial Profile

(CAD millions where applicable)	For the year ended December 31 2017	2016	2015	2014	2013
Net income before non-recurring items 4	(14)	(106)	(271)	88	(261)
Depreciation & amortization	679	1,257	1,100	754	963
Deferred income taxes and other	1,096	1,081	956	775	848
Cash Flow (Bef. Working Cap. Changes)	**1,761**	**2,232**	**1,785**	**1,617**	**1,550**
Nuclear waste funding	(313)	(425)	(361)	(351)	(383)
Dividends paid	0	0	0	0	0
Capital expenditures	(1,853)	(1,816)	(1,376)	(1,545)	(1,568)
Free Cash Flow (Bef. Working Cap. Changes)	**(405)**	**(9)**	**48**	**(279)**	**(401)**
Changes in non-cash working cap. items	54	180	(129)	212	239
Change in regulatory assets/liabilities	(558)	(170)	170	(45)	(232)
Net Free Cash Flow	**(909)**	**1**	**89**	**(112)**	**(394)**
Long-term investments	0	(213)	(180)	0	0
Proceeds on asset sales	554	110	3	0	0
Acquisition of Fair Hydro Trust receivables	(1,179)	0	0	0	0
Issuance of Fair Hydro Trust debt	601	0	0	0	0
Net equity change	519	0	0	0	0
Net debt change	458	(162)	(33)	165	543
Other	4	(14)	(25)	(5)	0
Change in Cash	**48**	**(278)**	**(146)**	**48**	**149**
Total debt	6,579	5,522	5,684	5,730	5,657
Cash & equivalents	422	398	464	610	562
Cash flow/Total debt 1, 2	40.6%	40.6%	31.9%	28.7%	26.9%
Total debt in capital structure 1, 2, 3	26.2%	34.3%	35.8%	37.3%	40.8%
EBIT gross interest coverage (times) 2, 4	(0.24)	(0.14)	(0.86)	0.27	(1.05)
(Cash flow - n.w.f.)/Total debt 5	22.0%	32.7%	25.1%	22.1%	20.6%
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

1 Including operating leases. 2 Excludes non-recourse debt. 3 Adjusted for Accumulated Other Comprehensive Income. 4 Excluding earnings from nuclear fixed asset removal and nuclear waste management funds. 5 Included nuclear waste funding (n.w.f.) payments as they are not discretionary.

2017 Summary

- OPG's key credit metrics exclude non-recourse debt from UMH Energy Partnership (UMH; recourse released in 2014), Lower Mattagami Energy Limited Partnership (LMELP; rated A (high) with a Stable trend by DBRS; recourse released in 2017) and the Fair Hydro Trust.
- The Company's cash flow-to-debt and debt-to-capital ratios remained strong in 2017. DBRS notes the decrease in the debt-to-capital ratio was largely due to (1) LMELP reaching its recourse release date during the year (non-recourse debt of approximately $1,755 million) and (2) an equity injection from the Province to partially fund the Fair Hydro Trust.
  - OPG's EBIT-interest coverage ratio remained negative, however, reflecting the weak profitability of the Company.
- Cash flow from operations decreased as (1) 2016 included rate riders for regulated nuclear and hydroelectric generation and (2) the Darlington Refurbishment resulted in lower cash receipts from nuclear generation.
- Capex remained elevated at $1.8 billion as OPG continued work on the Darlington Refurbishment.
- No dividend payments were made to the Province during this period of high capex requirements.
- Changes in regulatory assets/liabilities largely represent OPG's estimate of $544 million of interim period revenue shortfall to be collected from customers as a result of the OEB's decision in December 2017 for rates effective June 1, 2017.
- OPG sold its head office for $378 million. The Company distributed the after-tax gain ($283 million) to the Province in 2018.

Financial Profile (CONTINUED)

- The Fair Hydro Trust acquired $1.2 billion of financing receivable assets from the IESO in December 2017. This was funded with $601 million through a revolving warehouse facility (non-recourse to the Company), $519 million of equity injection from the Province and $60 million from OPG.
- The Company issued $800 million of debt to the OEFC and $500 million of Senior Notes under a Medium Term Note Program. The proceeds were partly used to refinance $900 million of debt owed to the OEFC and to fund OPG's portion of the Fair Hydro Trust financing receivable assets.

2018 Outlook

- OPG has planned capex of $2.1 billion for 2018, including approximately $1.2 billion for the Darlington Refurbishment.
- Cash flow from operations should see an improvement once 2018 rates are finalized. However, given the large capex program in place, DBRS expects a free cash flow deficit to persist for the year. The deficit is expected to be financed through cash on hand and through debt.
  - DBRS expects the Company's key credit metrics to remain stable in 2018, with the stronger earnings and cash flow to offset the higher debt load. The debt-to-capital ratio should also benefit from any equity injections from the Province to facilitate the Fair Hydro Plan.
- OPG sold its Lakeview GS facility in March 2018 for $275 million. The Company will make a one-time special distribution of the after-tax gain on the sale to the Province later in the year.

Long-Term Debt and Credit Facilities

(CAD millions)	Maturity	Dec. 31, 2017	Dec. 31, 2016
Notes payable to the OEFC	2018-2047	3,195	3,295
Medium Term Note Program	2027	500	0
UMH Energy Partnership 1	2041	181	184
PSS Generating Station Limited Partnership 2	2067	245	245
Lower Mattagami Energy Limited Partnership 1	2021-2052	1,595	1,795
Fair Hydro Trust 1	2019	601	0
Other		19	15
Subtotal		**6,336**	**5,534**
Less: Bond issuance fees		(17)	(14)
Less: Current portion		(398)	(1,103)
Total Long-Term Debt		**5,921**	**4,417**

1 Non-recourse to OPG as debt is secured by assets of the associated project. 2 Secured by assets of the project; recourse to OPG until the recourse release date.

- Most of the long-term debt issued at the parent level (approximately $3.195 billion) is held by the OEFC, which is wholly owned by the Province. As a result, DBRS does not expect any material refinancing risk.
- In 2017, OPG issued the following notes to the OEFC:
  - In February, $200 million was issued with a maturity date of 2047 and an effective interest rate of 4.12%.
  - In June, $100 million was issued with a maturity date of 2047 and an effective interest rate of 3.65%.
  - In August, $100 million was issued with a maturity date of 2047 and an effective interest rate of 3.86%.
  - In September, $400 million was issued with a maturity date of 2047 and an effective interest rate of 4.07%.
  - Proceeds were largely used to refinance $900 million of notes to the OEFC that matured throughout the year.
- In September 2017, OPG filed a $2 billion short form base shelf prospectus for a Medium Term Note Program.
  - In October 2017, the Company issued $500 million of senior notes with a maturity date of 2027 and an effective interest rate of 3.43%.
- The amortizing UMH notes were issued in 2009 with a maturity date of 2041 and an effective interest rate of 7.86%. The notes are secured by the assets of the Upper Mattagami and Hound Chute project and are non-recourse to OPG.
- The amortizing PSS GS notes were issued in 2015 with a maturity date of 2067 and an effective interest rate of 4.90%. The notes are secured by the assets of PSS GS and are recourse to OPG until the recourse release date (expected in 2018).
- LMELP repaid $200 million of notes in 2017 largely through its commercial paper program. The notes are secured by the assets of the project and are non-recourse to OPG.

Long-Term Debt and Credit Facilities (CONTINUED)

- The Fair Hydro Trust senior notes were issued under an $800 million two-year revolving warehouse facility. The notes are secured by the assets of the Fair Hydro Trust and are non-recourse to OPG.
  - In February 2018, the Fair Hydro Trust issued $500 million of senior notes, maturing in 2033, to repay the majority of the balance under the revolving warehouse facility. In April 2018, an additional $400 million of senior notes, maturing in 2038, was issued.

Maturity profile

As at December 31, 2017

(CAD millions)	2018	2019	2020	2021	2022	Thereafter	Total
Long-term debt	398	969	663	413	172	3,721	6,336
	6%	15%	10%	7%	3%	59%	100%

- DBRS notes that there is a slight concentration of debt maturing in 2019. However, this included $601 million drawn under a non-recourse facility for the Fair Hydro Trust, which was largely repaid in February 2018 through a note issuance.
  - OPG's maturity profile is otherwise fairly spread out.

Liquidity

Credit Facilities as at December 31, 2017

(CAD millions)	Maturity	Amount	Outstanding	Available
Committed credit facility - Tranche 1	20-May-22	500	100	400
Committed credit facility - Tranche 2	20-May-22	500	0	500
Short-term uncommitted credit facilities	Demand	468	390	78
Short-term uncommitted overdraft facilities	Demand	25	0	25
OEFC general corporate credit facility	31-Dec-18	2,350	800	1,550
Lower Mattagami River Project - Tranche 1 [1]	17-Aug-22	300	215	85
Lower Mattagami River Project - Tranche 2 [1]	17-Aug-18	100	0	100
UMH Energy Partnership credit facilities [1]	15-Oct-18	16	15	1
UMH Energy Partnership overdraft facilities [1]	15-Oct-18	8	0	8
Total		**4,267**	**1,520**	**2,747**

1 Non-recourse to OPG as debt is secured by assets of the associated project.

- OPG has a reasonable liquidity profile.
- The Company has a $1.0 billion CP program backed by two tranches of bank facilities (extended due dates of May 20, 2022). OPG had $100 million of CP outstanding as at December 31, 2017.
- As at December 31, 2017, OPG had issued $390 million of letters of credit, about $353 million of which was attributed to its supplementary pension plan.
- The Company has a separate credit facility provided by the OEFC, which DBRS views as adequate for working capital purposes. The facility was increased to $2,350 million from $700 million in 2017. $800 million was outstanding as at December 31, 2017.
- The LMELP and UMH facilities are used to support the respective projects and are non-recourse to OPG.

Company Profile

As at December 31, 2017

Generation Portfolio

	Percent (%)	Capacity (MW)
Nuclear		
Darlington	*16%*	2,634
Pickering A	*6%*	1,030
Pickering B	*13%*	2,064
	35%	**5,728**
Thermal		
Atikokan (Biomass)	*1%*	205
Thunder Bay (Biomass)	*1%*	153
Portlands Energy Centre 1	*2%*	275
Brighton Beach 1	*2%*	280
Lennox (Dual oil & gas)	*13%*	2,100
	19%	**3,013**
Hydroelectric		
Contracted 2	*6%*	1,042
Regulated	*40%*	6,426
	46%	**7,468**
Other (Wind) 3	*0%*	1
Total Capacity	***100%***	**16,210**

1 Represents OPG's share of in-service generation. 2 Includes plants under an ESA or a long-term contract with the IESO. 3 One wind-power turbine.

- OPG is the largest generator of electricity in Ontario.
- In 2017, OPG generated 74.1 terawatt hours of electricity with total in-service capacity of 16,210 MW as at December 31, 2017.
  - The reduction in generating capacity is largely attributed to Unit 2 of Darlington GS being taken offline in October 2016 as part of the Darlington Refurbishment.
- OPG partnerships consist of the following:
  - OPG and ATCO Power Canada Ltd. co-own the Brighton Beach GS, a 560-MW natural gas-fired generating station.
  - OPG and TransCanada Energy Ltd. jointly own the Portlands Energy Centre, a 550-MW natural gas-fired generating station.
  - OPG owns the Bruce A and Bruce B nuclear GS, which are leased on a long-term basis to Bruce Power L.P. (rated BBB with a Stable trend by DBRS).
  - OPG and the Lac Seul First Nation (LSFN) jointly own the Lac Seul GS, with LSFN owning 25% of the facility.
  - OPG and the Moose Cree First Nation (MCFN), through its wholly owned subsidiary, Amisk-oo-Skow Finance Corporation, jointly own the Little Long, Harmon, Kipling and Smoky Falls GS, with MCFN owning 25% of the facilities.
  - OPG and Coral Rapids Power Corporation (CRP), a wholly owned subsidiary of the Taykwa Tagamou Nation, jointly own PSS GS, with CRP owning 33% of the facility.

Ontario Power Generation Inc.

(CAD millions)	December 31				December 31		
Assets	**2017**	**2016**	**2015**	**Liabilities & Equity**	**2017**	**2016**	**2015**
Cash & equivalents	422	398	464	S.T. borrowings	260	2	225
Accounts receivable	369	429	545	Accounts payable	1,228	1,164	1,199
Inventories	412	410	440	Current portion L.T.D.	398	1,103	273
Regulatory assets	0	0	628	Regulatory liabilities	0	0	26
Prepaid expenses & other	361	520	313	Deferred revenue & other	92	135	78
Total Current Assets	**1,564**	**1,757**	**2,390**	**Total Current Liab.**	**1,978**	**2,404**	**1,801**
Net fixed assets	21,322	19,998	20,595	Long-term debt	5,921	4,417	5,186
Intangibles	133	99	98	Deferred income taxes	879	829	880
Financing receivables	1,179	0	0	Pension & post-retirement benefits	6,515	5,909	5,682
Nuclear removal/waste mgmt. funds	16,701	15,960	15,121	Nuclear removal/waste mgmt. funds	20,421	19,484	20,169
Regulatory assets	7,231	5,855	5,240	Regulatory liabilities	594	310	34
Investments, materials & other	692	703	806	Payables & other L.T. liab.	603	511	453
				Shareholders' equity	11,911	10,508	10,045
Total Assets	**48,822**	**44,372**	**44,250**	**Total Liab. & SE**	**48,822**	**44,372**	**44,250**

	For the year ended December 31				
Balance Sheet & Liquidity & Capital Ratios	**2017**	**2016**	**2015**	**2014**	**2013**
Current ratio	0.79	0.73	1.33	1.09	1.79
Total debt in capital structure	35.6%	34.4%	36.1%	37.7%	40.4%
Total debt in capital structure 1, 2, 3	26.2%	34.3%	35.8%	37.3%	40.8%
Cash flow/Total debt	26.8%	40.4%	31.4%	28.2%	27.4%
Cash flow/Total debt 1, 2	40.6%	40.6%	31.9%	28.7%	26.9%
(Cash flow - dividends)/Capex (times)	0.95	1.23	1.30	1.05	0.99
(Cash flow - n.w.f.)/Total debt 5	22.0%	32.7%	25.1%	22.1%	20.6%
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Coverage Ratios (times)					
EBIT gross interest coverage 4	(0.13)	(0.17)	(0.86)	0.24	(1.12)
EBIT gross interest coverage 2, 4	(0.24)	(0.14)	(0.86)	0.27	(1.05)
EBITDA gross interest coverage 4	2.17	4.05	2.89	2.75	2.21
Fixed-charges coverage 4	(0.13)	(0.17)	(0.86)	0.24	(1.12)
Profitability Ratios					
EBITDA margin 4	12.4%	21.4%	15.5%	16.6%	13.1%
EBIT margin 4	-0.7%	-0.9%	-4.6%	1.5%	-6.7%
Profit margin 4	-0.3%	-1.9%	-5.0%	1.8%	-5.4%
Return on equity 4	-0.1%	-1.0%	-2.8%	1.0%	-3.2%
Return on capital 1, 3, 4	0.5%	0.1%	-0.8%	1.4%	-1.0%

1 Including operating leases. 2 Excludes non-recourse debt. 3 Adjusted for Accumulated Other Comprehensive Income. 4 Excluding earnings from nuclear fixed asset removal and nuclear waste management funds. 5 Included nuclear waste funding (n.w.f.) payments as they are not discretionary.

Rating History

Debt	Current	2017	2016	2015	2014	2013
Issuer Rating	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)
Unsecured rating	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)

Commercial Paper Limit

- $1.0 billion.

Previous Report

- Ontario Power Generation: Rating Report, May 5, 2017.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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