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, 2017, DBRS Limited (DBRS) confirmed the Issuer Rating and the Unsecured Debt rating of Ontario Power Generation Inc. (OPG or the Company) at A (low) as well as its Commercial Paper (CP) rating at R-1 (low). All trends are Stable. OPG's ratings continue to be supported by (1) the reasonable regulatory regime in place for the Company's generation facilities, (2) continuing financial support from its shareholder, the Province of Ontario (rated AA (low), Stable, by DBRS) and (3) strong cash flow-to-debt and debt-to-capital ratios.

In May 2016, OPG filed its application with the Ontario Energy Board (OEB) for rates effective January 1, 2017. As the OEB had indicated, the Company applied to transition to five-year incentive rate-setting (IR) regimes, proposing Price Cap IR for its hydroelectric facilities and Custom IR for its nuclear facilities. Under Price Cap IR, payment amounts will increase annually under a formula based on inflation less productivity and a utility-specific stretch factor. Under Custom IR, payment amounts will be determined by a five-year forecast cost-of-service (COS) approach, but with IR features. As noted, DBRS believes that, following the transition to IR frameworks, the Company's profitability may continue to be challenged as the introduction of productivity and efficiency targets could further depress earnings. This is partly mitigated by OPG having demonstrated its ability to contain costs through its cost-reduction and efficiency improvement initiative ($1.0 billion in cumulative cost savings since 2011). Additionally, under both Price Cap IR and Custom IR, the Company could initiate a regulatory review of its application if actual return on equity (ROE) falls 300 basis points (bps) below the approved ROE, providing some downside protection. OPG has also requested a mid-term review of its nuclear production forecast which, if approved, could reduce some of the forecasting risk associated with the longer IR term.

Profitability for OPG remained challenged in 2016 as the Company earned a corporate ROE of 4.2%, significantly below the allowed regulatory ROE of 9.19%. DBRS notes that this can be partly attributed to OPG's capitalization at around 35% debt versus the regulatory capital structure of 55% debt. While earnings increased in 2016, net income before non-recurring items remained negative, resulting in a negative EBIT-interest coverage ratio of -0.17 times for the year. While the Company's financial risk profile remains supported by its strong cash flow-to-debt and debt-to-capital ratios (36.4% and 34.4%, respectively, for 2016), OPG will continue to experience higher-than-normal capital expenditures (capex; $1.7 billion in 2016 and $1.8 billion planned for 2017) as it executes on the Darlington Refurbishment project (final budget of $12.8 billion). DBRS expects the Company's debt ratios to weaken during this period of high capex with leverage increasing to approximately 40%.

Continued on P.2

Financial Information

	For the year ended December 31				
	2016	**2015**	**2014**	**2013**	**2012**
Cash flow/total debt 1	36.4%	33.8%	27.0%	22.9%	20.8%
Total debt in capital structure 1, 2	34.4%	35.8%	36.9%	38.9%	36.9%
EBIT gross interest coverage (times) 3	(0.17)	(0.86)	0.24	(1.12)	0.66
EBITDA gross interest coverage (times) 3	4.05	2.89	2.75	2.21	3.15
(Cash flow - n.w.f.)/Total debt 4	29.6%	28.0%	21.3%	16.5%	13.8%

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

Issuer Description

Ontario Power Generation Inc. 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)

This is partly mitigated by the continued financial support provided by the Province through its agent, the Ontario Electricity Financial Corporation (OEFC; rated AA (low), Stable, by DBRS), which provides most of OPG's financing (approximately 60% of total debt). The Company's remaining debt is in the form of non-recourse project finance debt. Additionally, DBRS notes that under the Province's Fair Hydro Plan, OPG will be working with the Independent Electricity System Operator (IESO; rated A (high), Stable, by DBRS) to refinance the Global Adjustment costs to be deferred. DBRS will continue to monitor as more information becomes available.

Rating Considerations

Strengths

1. Support of shareholder (the Province)
The Province indirectly provides OPG with the majority of its long-term funding requirements through the OEFC, a government-financing arm for the provincial power companies; however, this debt is not directly guaranteed by the Province. As at December 31, 2016, OPG had approximately $3.3 billion of notes payable to the OEFC, consisting of 60% of the Company's outstanding 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 52% of electricity produced in Ontario in 2016.

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 as a result 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

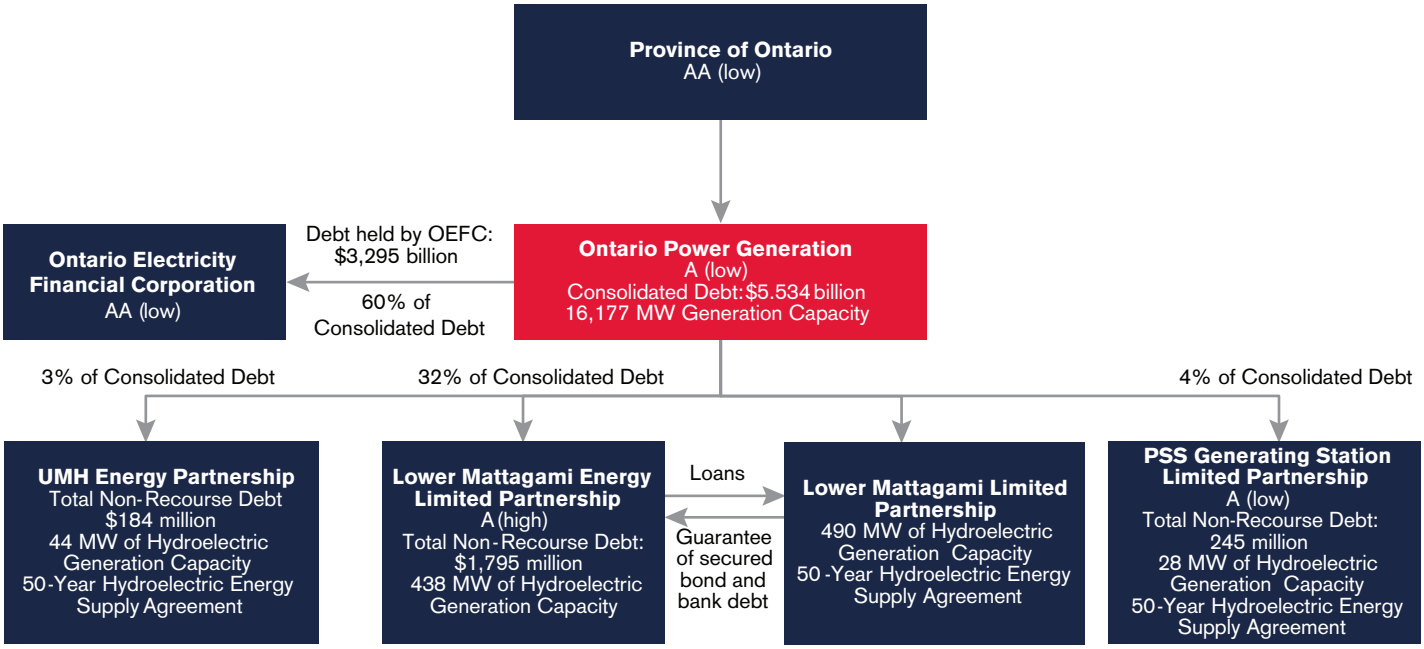
1. Significant capex program
OPG has a significant capex program underway (approximately $1.8 billion planned for 2017). The Company also faces significant execution risk as well as the potential for cost overruns associated with the Darlington Refurbishment because of the project's complexity and scale. 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 58% of OPG's production in 2016). Financial implications of forced outages, especially with older units (e.g., 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. DBRS believes that OPG's inability to fully recover compensation costs in future regulated prices could have a negative impact on earnings, which has affected 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.

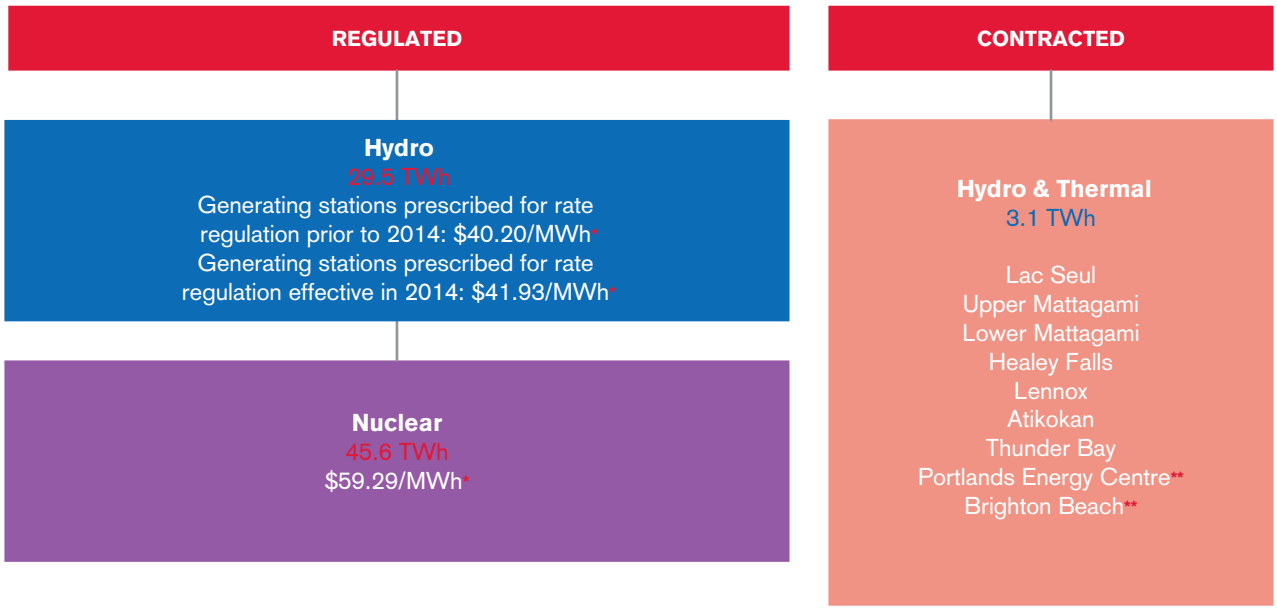
4. Political intervention
OPG is subject to political intervention, largely because of changes in government mandates and policies as well as limits that restrict revenues and earnings should the price of electricity rise quickly. DBRS notes that the Province has committed to having the Company run more autonomously; however, the risk of further government intervention still exists. As part of the Province's Fair Hydro Plan, OPG will be working with the IESO to refinance the Global Adjustments costs to be deferred.

Simplified Organizational Chart



As of December 31, 2016.

OPG's Price Structure



* Rates as of January 1, 2017. Approved on an interim basis.
** 50% ownership interest.

For the year ended December 31, 2016.

- OPG sells electricity to consumers through the IESO.
- Regulated facilities sell at rates set by the OEB, which 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, 2016 (CAD millions)	In-Service Target Date
Darlington Refurbishment	12,800	3,185	2026*
Peter Sutherland Sr. Hydroelectric GS	300	236	2017**
Sir Adam Beck Pump GS Reservoir Refurbishment	58	46	2017***
Ranney Falls Hydroelectric GS	77	3	2019

* Four units with staged in-service. Last unit scheduled to be completed by 2026.
** PSS GS was put in service at the end of March 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 budget.
- **Peter Sutherland Sr. Generating Station Project (PSS GS):** The PSS GS 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 PSS GS's debt until the Recourse Release Date (see DBRS's PSS Generating Station LP (New Post Creek) rating report dated October 14, 2016, for more details). The station was put in service at the end of March 2017.
- **Sir Adam Beck Pump Generating Station Reservoir Refurbishment:** This project included a refurbishment of a 300-hectre reservoir to store water that could generate up to 600 MW of electricity. Construction began in April 2016 and was completed in February 2017, ahead of the planned in-service date of April 2017 and below budget.
- **Ranney Falls Hydroelectric Generating Station:** The Ranney Falls Hydroelectric GS project would replace an existing generation unit at Ranney Falls with a 10 MW single-unit powerhouse. Construction is expected to commence in 2017 with an expected in-service date by the end of 2019.
- **Nanticoke Solar Facility:** In March 2016, OPG announced that it has been selected by the IESO to develop a 44-MW solar facility near the Nanticoke GS. Construction is expected to begin in H1 2018 and be completed by Q1 2019.

Regulation

- OPG benefits from a reasonable regulated environment. As of December 31, 2016, 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 (6,421 MW).
- An amendment to Ontario Regulation 53/05 (O. Reg. 53/05) by the Ministry of Energy made all of OPG's previously non-regulated hydroelectric facilities not covered under an ESA with the IESO subject to the OEB's regulation effective July 1, 2014. This amendment provided further stability to the Company's credit profile as a large majority of installed in-service capacity is now regulated.
- In September 2015, the Supreme Court of Canada overturned the Court of Appeal and upheld the OEB's original decision to disallow a portion of OPG's nuclear compensation costs. DBRS believes that the Company's inability to fully recover its nuclear compensation in future regulated prices could have a negative impact on earnings.
- In May 2016, OPG filed its application with the OEB for rates effective January 1, 2017. The application and associated approvals sought were updated on December 20, 2016, February 22, 2017, and March 8, 2017.
  - The Company requested a change to its capital structure to 51% debt (currently 55% debt) and for an allowed ROE of 8.78% for 2017. The allowed ROE for subsequent years will be adjusted to the prevailing ROE as specified by the OEB.
  - For its hydroelectric facilities, OPG requested the use of the Price Cap IR methodology for January 1, 2017, to December 31, 2021. Under Price Cap IR, the Company is 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.
  - 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.
  - In OPG's application, the Company requested an inflation factor of 1.8%, a productivity factor of 0% and a stretch factor of 0.3% for 2017. Additionally, OPG chose not to rebase for 2017 to simplify the evidence.
  - The Company requested a payment amount of $41.71/megawatt hour (MWh) for its hydroelectric facilities effective January 1, 2017.

Regulation (CONTINUED)

- For its nuclear facilities, OPG requested the use of a Custom IR methodology as well as a rate smoothing deferral account for January 1, 2017, to December 31, 2021. Additionally, the Company has requested a mid-term review (prior to July 1, 2019) to update its nuclear production forecast as well as to dispose of deferral and variance account balances.
- Under its Custom IR methodology, nuclear revenue requirements will be determined by a five-year forecast COS approach, but with a stretch factor of 0.3% applied to the Company's operating and maintenance (O&M) expenditures. The reduction to O&M costs as a result of the stretch factor will accumulate for the five-year period.
- The rate smoothing deferral account is, as required under O. Reg. 53/05, to stabilize year-to-year changes to weighted-average payment amounts (WAPA) as the Company continues on the Darlington Refurbishment project. OPG will defer a portion of its approved nuclear revenue requirements into the rate smoothing deferral account and has proposed that WAPA rates increase at a constant 2.5% per year over the 2017–2021 period. The Company will be allowed to recover the deferred amount, and any amount deferred from 2022–2026, over a ten-year period once the Darlington Refurbishment project is completed.
- OPG has requested the following for its nuclear facilities:

Effective Date	January 1, 2017	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021
Revenue Requirement, Net of Stretch Factor	$3,161.4 million	$3,185.7 million	$3,273.2 million	$3,783.5 million	$3.397.8 million
Rate Base	$3,627.9 million	$3,606.9 million	$3,476.2 million	$7,453.8 million	$7,887.0 million
Payment Amount	$76.39/MWh	$78.60/MWh	$84.83/MWh	$88.21/MWh	$92.02/MWh

- OPG also requested rate riders for its hydroelectric and nuclear facilities for the recovery of balances as at December 31, 2015, in its deferral and variance accounts, except for the Pension & OPEB Cash Versus Accrual Differential Deferral Account. The Company has requested rate riders effective from January 1, 2017, to December 31, 2018, of $1.44/MWh for its hydroelectric facilities and $2.85/MWh for its nuclear facilities.

- In December 2017, the OEB approved the current base rates ($59.29/MWh for nuclear facilities, $40.20/MWh for base-load hydro facilities and $41.93/MWh for intermediate and peaking hydroelectric facilities) remaining in effect on an interim basis as of January 1, 2017.
- OPG filed a partial settlement agreement with the OEB in January 2017. A decision is expected in H2 2017.

Earnings and Outlook

(CAD millions where applicable)	For the year ended December 31				
	2016	2015	2014	2013	2012
Revenues	5,653	5,476	4,963	4,863	4,732
EBITDA 1	1,207	848	826	638	841
EBIT 1	(50)	(252)	72	(325)	177
Gross interest expense	298	293	300	289	267
Earning before taxes 1	(116)	(407)	36	(373)	86
Net income before non-recurring items 1	(106)	(271)	88	(261)	115
Reported net income	436	402	804	135	367
Return on equity	-1.0%	-2.8%	1.0%	-3.2%	1.5%
Hydroelectric rate base	7,447	7,490	7,526	4,829	3,744
Nuclear rate base	3,573	3,655	3,714	3,780	4,133
Approved regulated ROE	9.19%	9.30%	9.36%	9.55%	9.55%
Achieved regulated ROE	N/A	2.67%	6.32%	0.46%	4.73%

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

2016 Summary

- EBITDA increased significantly in 2016 as a result of (1) higher nuclear production compared with 2015, which had included a planned four-unit Vacuum Building Outage, (2) higher income from the contracted portfolio and (3) rate riders for the regulated nuclear and hydroelectric segments that were in effect from July 1, 2015, until December 31, 2016.
  - This was partly offset by (1) the removal of Unit 2 of the Darlington GS from service as part of the Darlington Refurbishment and (2) weaker earnings from the hydroelectric segment, partly as a result of higher volume of water spilled at OPG's hydroelectric stations in 2016 caused by a more prevalent surplus baseload generation condition.
- Increased EBIT in 2016 was partly offset by higher depreciation of regulatory assets and liabilities, which largely cancelled out revenues from the approved rate riders. EBIT also remained negative for the year.
- OPG continued to record a negative net income before non-recurring items in 2016. While earnings increased compared with 2015, profitability remained a challenge for the Company, which reported a corporate ROE of 4.2%. DBRS notes that, while this is significantly below the regulatory allowed ROE of 9.19%, the difference can be partly attributed to OPG's capitalization at around 35% versus the regulatory capital structure of 55% debt.

2017 Outlook

- DBRS notes that the OEB has approved, on an interim basis, for OPG's base rates from 2015 to remain in effect beginning January 1, 2017, until the Company's application for new rates are approved.
  - Earnings are expected to weaken until new regulated rates are approved. This is because 2015 rates for the nuclear segment were determined with all units in production, but production in 2017 will very likely be lower because of the Darlington Unit 2 refurbishment.
  - DBRS notes that, should the OEB not approve the new rates to be effective January 1, 2017, this will have a negative impact on the Company's profitability for the year.
- DBRS notes that OPG's application for 2017-2021 rates for the hydroelectric segment will be based on Price Cap IR while the nuclear segment will be based on Custom IR. DBRS believes that OPG's profitability could continue to be challenged following the switch to an IR framework as the introduction of productivity and efficiency targets could further depress earnings.
  - OPG has, however, demonstrated its ability to contain costs through its cost-reduction and efficiency improvement initiative ($1.0 billion in cumulative cost savings since 2011).
- 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				
	2016	2015	2014	2013	2012
Net income before non-recurring items 3	(106)	(271)	88	(261)	115
Depreciation & amortization	1,257	1,100	754	963	664
Deferred income taxes and other	911	1,126	730	616	305
Cash flow (bef. working cap. changes)	**2,062**	**1,955**	**1,572**	**1,318**	**1,084**
Nuclear waste funding	(425)	(361)	(351)	(383)	(380)
Dividends paid	0	0	0	0	0
Capital expenditures	(1,704)	(1,376)	(1,545)	(1,568)	(1,427)
Free cash flow (bef. working cap. changes)	**(67)**	**218**	**(324)**	**(633)**	**(723)**
Changes in non-cash working cap. items	68	(129)	212	239	172
Net free cash flow	**1**	**89**	**(112)**	**(394)**	**(551)**
Long-term investments	(213)	(180)	0	0	24
Proceeds on asset sales	110	3	0	0	0
Net equity change	0	0	0	0	0
Net debt change	(162)	(33)	165	543	310
Other	(14)	(25)	(5)	0	0
Change in cash	**(278)**	**(146)**	**48**	**149**	**(217)**
Total debt	5,522	5,684	5,730	5,657	5,114
Cash & equivalents	398	464	610	562	413
Cash flow/Total debt 1	36.4%	33.8%	27.0%	22.9%	20.8%
Total debt in capital structure 1, 2	34.4%	35.8%	36.9%	38.9%	36.9%
EBIT gross interest coverage (times) 1, 3	(0.08)	(0.79)	0.29	(1.05)	0.71
(Cash flow - n.w.f.)/Total debt 4	29.6%	28.0%	21.3%	16.5%	13.8%
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

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

2016 Summary

- OPG's cash flow-to-debt and debt-to-capital ratios remained strong for 2016; however, as the Company generated negative income for the year, the EBIT-interest coverage ratio remained negative.
- Cash flow from operations increased because of improved earnings compared with 2015 as well as rate riders for the regulated nuclear and hydroelectric segments that were in effect from July 1, 2015, until December 31, 2016.
- Capex increased significantly in 2016 to $1.7 billion as OPG began the execution phase of the Darlington Refurbishment project.
- No dividend payments were made to the Province during this period of high capex requirements.
- OPG acquired nine million common shares of Hydro One Limited (HOL) in 2016 for approximately $213 million as part of its collective bargaining agreements with the trade unions, allowing employees to receive compensation through HOL shares.
- The Company repaid $270 million in notes to the OEFC by refinancing $100 million of the notes and by using cash on hand. Lower Mattagami Energy Limited Partnership (LMELP) also issued $220 million of notes to repay its CP program.

2017 Outlook

- OPG has planned capex of $1.8 billion for 2017, including approximately $1.2 billion for the Darlington Refurbishment project.
- As the Company continues to execute its large capex program with weaker cash flow expected as a result of the delay in implementing 2017 rates, DBRS expects OPG to generate a free cash flow deficit for the year. This deficit is expected to be financed with debt and cash on hand.
  - OPG plans to issue approximately $1.8 billion of long-term debt in 2017, including $900 million for refinancing debt maturities. As a result, leverage is expected to increase to nearly 40% over the next few years. DBRS expects the Company to maintain its strong debt-to-capital and cash flow-to-debt ratios to offset the weaker EBIT-interest coverage ratio.
- DBRS expects the Province to continue to forego dividends during the Company's large capex program.

Long-Term Debt Maturities and Credit Facilities

Long-Term Debt

As at December 31, 2016

(CAD millions)	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt	1,103	398	368	663	413	2,589	**5,534**
	20%	7%	7%	12%	7%	47%	**100%**

Maturity Profile

- The majority of the long-term debt issued at the parent level (approximately $3.295 billion) is held by the OEFC, which is wholly owned by the Province. As a result, DBRS does not expect any material refinancing risk.
- DBRS notes that there is a slight concentration of debt maturing in 2017, including $900 million in notes issued by OPG and $200 million of senior notes issued by LMELP. DBRS expects this refinancing risk to be manageable as (1) the $900 million in notes payable is owed to the OEFC and (2) the Company has sufficient liquidity, through cash on hand and credit facilities, to fully repay these notes.
  - OPG's maturity profile is otherwise fairly spread out after 2018.
- In October 2016, LMELP issued senior notes totalling $220 million with a maturity date of 2026 and an effective interest rate of 2.40%.
- In February 2017, OPG issued senior notes payable totalling $200 million with a maturity date of 2047 and an effective interest rate of 4.12% to the OEFC.

Credit Facilities as at December 31, 2016 (CAD millions)

Bank Facilities	Maturity	Amount	Outstanding	Available
Committed credit facility - Tranche 1	20-May-21	500	0	500
Committed credit facility - Tranche 2	20-May-21	500	0	500
Short-term uncommitted credit facilities	Demand	460	386	74
Short-term uncommitted overdraft facilities	Demand	25	0	25
OEFC general corporate credit facility	31-Dec-17	700	0	700
Lower Mattagami River Project - Tranche 1	17-Aug-21	300	0	300
Lower Mattagami River Project - Tranche 2	17-Aug-17	200	0	200
UMH Energy Partnership credit facilities	15-Oct-17	16	14	2
UMH Energy Partnership overdraft facilities	15-Oct-17	8	0	8
Total		**2,709**	**400**	**2,309**

Liquidity

- 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, 2021). All committed bank facilities were unused as at December 31, 2016.
- As at December 31, 2016, OPG had issued $386 million of letters of credit, about $349 million of which was attributed to its supplementary pension plan.
- The Company has separate credit facilities provided by the OEFC, which DBRS views as adequate for working capital purposes

Company Profile

Generation Portfolio

As at December 31, 2016

		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%	1,014
Regulated		40%	6,421
		46%	**7,435**
Other (Wind) 3		0%	1
Total Capacity		**100%**	**16,177**

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 2016, OPG generated 78.2 terawatt hours of electricity with total in-service capacity of 16,177 MW on December 31, 2016.
  - 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 project.
- OPG partnerships consist of the following:
  - OPG and ATCO Power Canada Ltd. co-own the Brighton Beach GS, a 580-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 Limited Partnership.
  - 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.

Ontario Power Generation Inc.

Balance Sheet

(CAD millions)	Dec. 31 2016	2015	2014
Assets			
Cash & equivalents	398	464	610
Accounts receivable	429	545	482
Inventories	410	440	428
Regulatory assets	0	628	167
Prepaid expenses & other	510	313	161
Total Current Assets	**1,747**	**2,390**	**1,848**
Net fixed assets	19,998	20,595	17,593
Intangibles	99	98	76
Nuclear removal/waste mgmt. funds	15,960	15,121	14,354
Regulatory assets	5,855	5,240	7,024
Investments, materials & other	713	806	750
Total Assets	**44,372**	**44,250**	**41,645**

	Dec. 31 2016	2015	2014
Liabilities & Equity			
S.T. borrowings	2	225	0
Accounts payable	1,164	1,199	1,151
Current portion L.T.D.	1,103	273	503
Regulatory liabilities	0	26	5
Deferred revenue & other	135	78	36
Total Current Liab.	**2,404**	**1,801**	**1,695**
Long-term debt	4,417	5,186	5,227
Deferred income taxes	829	880	828
Pension & post-retirement benefits	5,909	5,682	6,620
Nuclear removal/waste mgmt. funds	19,484	20,169	17,028
Regulatory liabilities	0	0	0
Payables & other L.T. liab.	821	487	780
Shareholders' equity	10,508	10,045	9,467
Total Liab. & SE	**44,372**	**44,250**	**41,645**

	For the year ended Dec. 31				
Balance Sheet & Liquidity & Capital Ratios	**2016**	**2015**	**2014**	**2013**	**2012**
Current ratio	0.73	1.33	1.09	1.79	1.91
Total debt in capital structure	34.4%	36.1%	37.7%	40.4%	39.3%
Total debt in capital structure 1, 2	34.4%	35.8%	36.9%	38.9%	36.9%
Cash flow/Total debt	37.3%	34.4%	27.4%	23.3%	21.2%
Cash flow/Total debt 1	36.4%	33.8%	27.0%	22.9%	20.8%
(Cash flow - dividends)/Capex (times)	1.21	1.42	1.02	0.84	0.76
(Cash flow - n.w.f.)/Total debt 4	29.6%	28.0%	21.3%	16.5%	13.8%
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Coverage Ratios (times)					
EBIT gross interest coverage 3	(0.17)	(0.86)	0.24	(1.12)	0.66
EBIT gross interest coverage 1, 3	(0.08)	(0.79)	0.29	(1.05)	0.71
EBITDA gross interest coverage 3	4.05	2.89	2.75	2.21	3.15
Fixed-charges coverage 3	(0.17)	(0.86)	0.24	(1.12)	0.66
Profitability Ratios					
EBITDA margin 3	21.4%	15.5%	16.6%	13.1%	17.8%
EBIT margin 3	-0.9%	-4.6%	1.5%	-6.7%	3.7%
Profit margin 3	-1.9%	-5.0%	1.8%	-5.4%	2.4%
Return on equity 3	-1.0%	-2.8%	1.0%	-3.2%	1.5%
Return on capital 1, 2, 3	0.1%	-0.8%	1.4%	-1.0%	1.6%

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

Rating History

Debt	Current	2016	2015	2014	2013	2012
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 billion.

Previous Report

- Ontario Power Generation: Rating Report, April 25, 2016.

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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