Rating Report

Ontario Power Generation Inc.

DBRS

Insight beyond the rating.

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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 5, 2019, 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 the rating of the Company's Commercial Paper (CP) 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 43% of consolidated debt). The Company's remaining debt includes project financing (31%), non-recourse debt issued by Fair Hydro Trust (Senior Notes rated AAA (sf), Under Review with Negative Implications by DBRS; 11%), CP (2%) and Senior Notes issued under the Medium Term Note Program (12%).

In March 2019, the Province introduced Bill 87, *Fixing the Hydro Mess Act, 2019*, which includes winding down the Fair Hydro Plan. OPG will remain the Financial Services Manager for the outstanding Fair Hydro Trust debt, which will become obligations of the Province. DBRS does not expect this development to have a material impact on the Company as (1) the Fair Hydro Trust debt will continue to be bankruptcy remote and ring-fenced from OPG (all debt is non-recourse to the Company) and (2) the credit rating on the Company's investment in the Subordinated Notes (rated AA (sf), Under Review with Negative Implications by DBRS) will likely remain investment grade while the Junior Subordinated Notes (rated A (sf), Under Review with Developing Implications by DBRS) will not necessarily be negatively affected by this change (see the DBRS press release dated March 26, 2019, titled "DBRS Maintains Fair Hydro Trust, Series 2018-1 and Series 2018-2 Notes Under Review" for more details).

OPG's key credit metrics improved in 2018, following the approval of its 2017–2021 rates application by the Ontario Energy Board (OEB) in December 2017. The Company's profitability strengthened significantly, with corporate return on equity (ROE) of 7.8% (adjusted for a $205 million gain on sale of property; 5.1% in 2017) closer to the regulatory allowed ROE of 8.78%. However, DBRS continues to view a positive rating action as unlikely in the short term because of the ongoing capex program, including the $12.8 billion Darlington Refurbishment project (the Darlington Refurbishment). A downgrade could occur should there be significant cost overruns with the Darlington Refurbishment that then result in stranded costs. DBRS notes that the Darlington Refurbishment is currently on budget and on schedule.

Financial Information

	For the year ended December 31				
	2018	2017	2016	2015	2014
Cash flow/Total debt 1, 2	45.0%	40.0%	40.6%	31.9%	28.7%
Total debt in capital structure 1, 2, 3	26.9%	26.2%	34.3%	35.8%	37.3%
EBIT gross interest coverage (times) 1, 2, 4	1.00	(0.24)	(0.14)	(0.86)	0.27
(Cash flow - n.w.f.)/Total debt 1, 2, 5	39.3%	33.7%	32.9%	25.4%	22.5%

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 Includes nuclear waste funding (n.w.f.) payments as they are not discretionary.

Issuer Description

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

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, 2018, OPG had approximately $3.4 billion of notes payable to the OEFC, comprising 43% 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. DBRS additionally believes that the Province will, in exceptional circumstances, provide support to OPG.

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 50% of electricity produced in Ontario in 2018.

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 incentive rate (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 2.68 million). The used fuel obligation is funded by the used fuel fund, which is substantially fully funded. 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

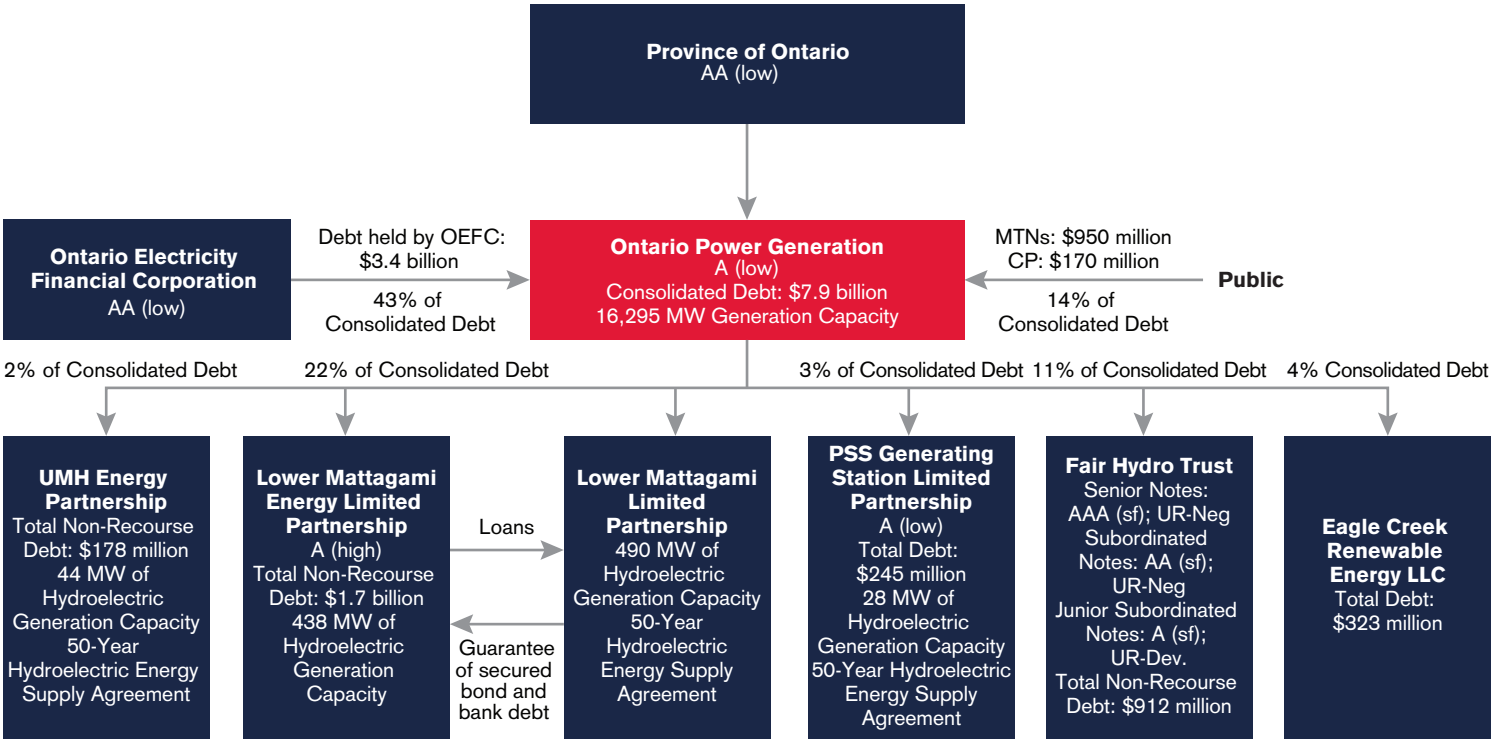
1. Significant capex program
OPG has a significant capex program underway (approximately $2.1 billion planned for 2019). The Company also faces significant execution risk as well as the potential for cost overruns associated with the Darlington Refurbishment because of the project's complexity and scale. DBRS expects 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 2018). 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. For the most recent 2017–2021 rates decision, the OEB disallowed recovery of $100 million in the operations, maintenance and administration (OM&A) budget 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 of over 2,800 since 2011.

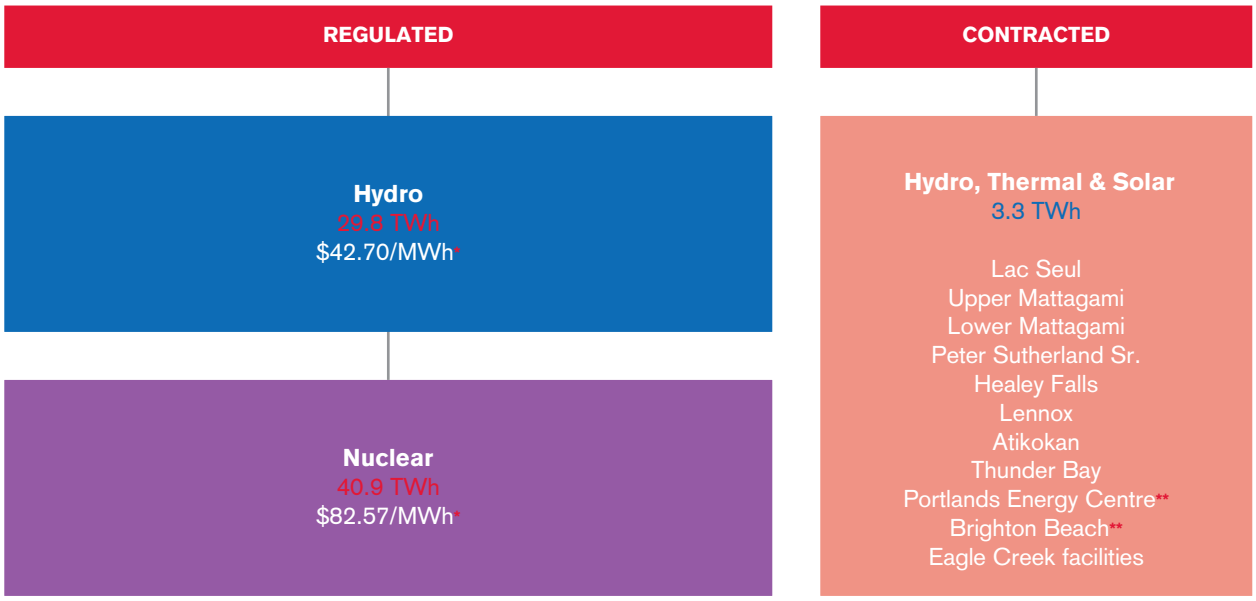
4. Political intervention
OPG is subject to political intervention, largely because of its ownership by the Province and changes in government mandates and policies. DBRS notes that though the Province has committed to having the Company run more autonomously, the risk of further government intervention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

Simplified Organizational Chart



As of December 31, 2018.

OPG's Price Structure



* Rates as of December 31, 2018.
** 50% ownership interest.

For the year ended December 31, 2018.

OPG's Price Structure (CONTINUED)

- 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 and Other Generation Portfolio includes (1) assets in Ontario that sell electricity at prices set through Energy Supply Agreements or other long-term contracts with the Independent Electricity System Operator (IESO); and (2) Eagle Creek Renewable Energy LLC (Eagle Creek), which holds interest in 76 hydroelectric GS and two solar facilities throughout the United States.
  - The Eagle Creek facilities either sell into the merchant market or operate under long-term energy or capacity supply contracts.

Major Projects

Project	Estimated Cost (CAD millions)	Spent as of Dec. 31, 2018 (CAD millions)	In-Service Target Date
Darlington Refurbishment	12,800	5,513	2026*
Ranney Falls Hydroelectric GS	77	57	2019
Nanticoke Solar Facility	107	89	2019**

* Four units with staged in-service. Last unit scheduled to be completed by 2026. ** Completed in March 2019.

- **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 on schedule and on budget.
- **Ranney Falls Hydroelectric GS:** The Ranney Falls Hydroelectric GS project will replace an existing generation unit at Ranney Falls with a ten megawatt (MW) single-unit powerhouse. Construction commenced in 2017 and is currently on schedule and on budget.
- **Nanticoke Solar Facility:** The Nanticoke Solar Facility is a 44 MW solar facility near the Nanticoke GS. Site preparation commenced in March 2018, with the project completed on schedule and on budget in March 2019.
- OPG additionally acquired Eagle Creek in November 2018 for USD 298 million. DBRS views the business risk profile of Eagle Creek to be weaker than OPG as it is not regulated and not all of its facilities operate under long-term contracts, resulting in higher volume and price risk. However, DBRS does not expect the acquisition to have a material impact on the Company's overall business and financial risk assessment as its 226 MW capacity represents only around 1% of OPG's total generating capacity.

Regulation

- OPG benefits from a reasonable regulated environment. As at December 31, 2018, approximately 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%).
  - Under Price Cap IR, OPG could file an Incremental Capital Module application to potentially recover any material and

Regulation (CONTINUED)

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 basis points 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 Darlington Refurbishment continues. 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 has been 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 the 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 the recovery of balances as at December 31, 2015, in OPG's deferral and variance accounts.

- In December 2018 and February 2019, the OEB approved the Company's Application for 2019 Hydroelectric Payment Amount Adjustment and Recovery of Deferral and Variance Account Balances effective January 1, 2019.
  - The OEB approved a 1.1% base rate increase based on an inflation factor of 1.4%.
  - The OEB also approved for the recovery of balances as at December 31, 2017, in OPG's deferral and variance accounts.

Earnings and Outlook

	For the year ended December 31				
(CAD millions where applicable)	2018	2017	2016	2015	2014
Revenues	5,537	5,158	5,653	5,476	4,963
EBITDA 1	1,017	642	1,207	848	826
EBIT 1	233	(37)	(50)	(252)	72
Gross interest expense	301	296	298	293	300
Earning before taxes 1	225	(92)	(116)	(407)	36
Net income before non-recurring items 1	361	(14)	(106)	(271)	88
Reported net income	1,195	860	436	402	804
Return on equity	2.9%	-0.1%	-1.0%	-2.8%	1.0%
Hydroelectric rate base	N/A	N/A	7,447	7,490	7,526
Nuclear rate base	3,607	3,628	3,573	3,655	3,714
Approved regulated ROE	8.78%	8.78%	9.19%	9.30%	9.36%
Achieved regulated ROE	N/A	N/A	3.80%	2.67%	6.32%

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

2018 Summary

- EBITDA and EBIT increased significantly in 2018 largely because of the December 2017 approval of new rates by the OEB in a payment order dated March 2018 and effective June 1, 2017. EBITDA also benefitted from a full year's earnings from the Peter Sutherland Sr. GS, which was placed in service March 2017, and contributions from Eagle Creek, which was acquired in November 2018.
  - This was partly offset by (1) higher depreciation from the growing asset base and (2) higher hydroelectric foregone generation and outages compared with 2017.
- Tracking the stronger EBIT for the year, net income before non-recurring items also increased significantly in 2018. OPG also reported a corporate ROE of 9.5%. Excluding an after-tax $205 million gain on sale of the Lakeview GS site, this corporate ROE would still be at 7.8%, a large improvement from the adjusted 5.1% corporate ROE in 2017.
  - ROE of 7.8% would also be more in line with the allowed regulated 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.

2019 Outlook

- Earnings for OPG are expected to remain relatively stable in 2019.
  - Effective January 1, 2019, base rates for the hydroelectric generation segment increased by 1.1%. Rates for the nuclear generation segment will increase as per the Custom IR decision.
- DBRS does not expect legislative changes to the Fair Hydro Plan by the Province to have a material financial impact on OPG. The Company is expected to continue to collect interest from its investment in the Fair Hydro Trust. DBRS notes that earnings from Fair Hydro Trust in 2018 were $27 million, increasing to $30 million in 2019 until the notes mature.
- 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 2018	2017	2016	2015	2014
Net income before non-recurring items 4	361	(14)	(106)	(271)	88
Depreciation & amortization	784	679	1,257	1,100	754
Deferred income taxes and other	1,060	1,070	1,081	956	775
Cash flow (bef. working cap. changes)	**2,205**	**1,735**	**2,232**	**1,785**	**1,617**
Nuclear waste funding	(307)	(313)	(425)	(361)	(351)
Dividends paid	(283)	0	0	0	0
Capital expenditures	(1,826)	(1,853)	(1,816)	(1,376)	(1,545)
Free cash flow (bef. working cap. changes)	**(211)**	**(431)**	**(9)**	**48**	**(279)**
Changes in non-cash working cap. items	(160)	80	180	(129)	212
Change in regulatory assets/liabilities	(51)	(558)	(170)	170	(45)
Net free cash flow	**(422)**	**(909)**	**1**	**89**	**(112)**
Long-term investments	(358)	0	(213)	(180)	0
Proceeds on asset sales	289	554	110	3	0
Acquisition of Fair Hydro Trust receivables	(609)	(1,179)	0	0	0
Change in Fair Hydro Trust debt	306	601	0	0	0
Net equity change	268	519	0	0	0
Net debt change	622	458	(162)	(33)	165
Other	(17)	4	(14)	(25)	(5)
Change in cash	**79**	**48**	**(278)**	**(146)**	**48**
Total debt	7,878	6,579	5,522	5,684	5,730
Total debt 2	4,730	4,053	5,340	5,499	5,543
Cash & equivalents	349	418	398	464	610
Cash flow/Total debt 1, 2	45.0%	40.0%	40.6%	31.9%	28.7%
Total debt in capital structure 1, 2, 3	26.9%	26.2%	34.3%	35.8%	37.3%
EBIT gross interest coverage (times) 1, 2, 4	1.00	(0.24)	(0.14)	(0.86)	0.27
(Cash flow - n.w.f.)/Total debt 1, 2, 5	39.3%	33.7%	32.9%	25.4%	22.5%
Dividend payout ratio	78.4%	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 Includes nuclear waste funding (NWF) payments as they are not discretionary.

2018 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), Fair Hydro Trust and Eagle Creek.
  - The Company's cash flow-to-debt and debt-to-capital ratios remained strong in 2018, tracking the increase in earnings and cash flows. Additionally, the EBIT-interest coverage ratio improved significantly because of the stronger results for the year.
- Cash flow from operations increased largely because of the new regulated prices in place beginning March 2018.
- Capex remained elevated at $1.8 billion as OPG continued work on the Darlington Refurbishment.
- While the Company is not expected to make dividend payments to the Province during this period of high capex requirements, a special dividend was declared to transfer proceeds from the sale of the head office premises and associated parking facility to the Province.
- Long-term investments of $358 million represent the acquisition of Eagle Creek, which was completed in November 2018.
- Proceeds on asset sales largely represent the sale of the Lakeview GS site.
- The Fair Hydro Trust acquired $609 million of financing receivable assets from the IESO in 2018. This was funded with $306 million through a revolving warehouse facility (non-recourse to the Company), $268 million of equity injection from the Province and $35 million from OPG.

Financial Profile (CONTINUED)

- Fair Hydro Trust issued $900 million of debt in 2018 to repay the revolving warehouse facility.

- The Company issued $600 million of debt to the OEFC and $450 million of Senior Notes under a Medium Term Note Program. The proceeds were partly used to refinance $395 million of debt owed to the OEFC and to fund OPG's portion of the Fair Hydro Trust financing receivable assets.

2019 Outlook

- OPG has planned capex of $2.1 billion for 2019, including approximately $1.3 billion for the Darlington Refurbishment.
- Cash flow from operations is expected to see a modest increase for the year, tracking the overall expected higher regulated rates.
  - With no distributions expected in 2019, the Company should see a positive net free cash flow. As such, DBRS expects the Company's key credit metrics to strengthen modestly for the year.
- In February 2019, OPG issued $500 million of Senior Notes under its Medium Term Note Program. Proceeds from the offering were used partly to fund the Eagle Creek acquisition.

Long-Term Debt and Credit Facilities

(CAD millions)	Maturity	Dec. 31, 2018	Dec. 31, 2017
Notes payable to the OEFC	2019–2048	3,400	3,195
Medium Term Note Program	2027–2048	950	500
UMH Energy Partnership 1	2041	178	181
PSS Generating Station Limited Partnership 2	2067	245	245
Lower Mattagami Energy Limited Partnership 1	2021–2052	1,595	1,595
Fair Hydro Trust 1	2033–2038	900	601
Eagle Creek 1	2025–2030	323	0
Other		21	19
Subtotal		**7,612**	**6,336**
Less: Fair value discount		(31)	0
Less: Bond issuance fees		(25)	(17)
Less: Current portion		(368)	(398)
Total long-term debt		**7,188**	**5,921**

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.

- 78% of the long-term debt issued at the parent level ($3.4 billion of $4.35 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 2019, OPG issued $600 million of senior notes to the OEFC with a maturity date of 2048 and effective interest rates ranging from 3.87% to 4.00%.
  - Proceeds were partly used to repay $395 million of notes to the OEFC that matured or will mature throughout the year.
- In June 2018, OPG issued $450 million of senior notes with a maturity date of 2048 and an effective interest rate of 3.84% under its Medium Term Note Program.
  - In February 2019, the Company issued $500 million of senior notes with a maturity date of 2049 and an effective interest rate of 4.25%.
- 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 2020).
- The LMELP notes are secured by the assets of the project and are non-recourse to OPG.

Long-Term Debt and Credit Facilities (CONTINUED)

- Fair Hydro Trust senior notes are secured by the assets of the Fair Hydro Trust and are non-recourse to OPG.
  - In February 2018, 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.
- OPG assumed $323 million of long-term debt upon acquiring Eagle Creek. The notes are secured by assets of Eagle Creek and are non-recourse to the Company.

Maturity Profile

As at December 31, 2018

(CAD millions)	2019	2020	2021	2022	2023	Thereafter	Total
Long-term Debt	690	663	416	177	46	5,942	**7,934**
	9%	8%	5%	2%	1%	75%	**100%**

- OPG's maturity profile is fairly spread out.

Liquidity

Credit Facilities as at December 31, 2018

(CAD millions)	Maturity	Amount	Outstanding	Available
Committed credit facility - Tranche 1	20-May-23	500	170	330
Committed credit facility - Tranche 2	20-May-23	500	0	500
Short-term uncommitted credit facilities	Demand	476	404	72
Short-term uncommitted overdraft facilities	Demand	25	0	25
Lower Mattagami River Project - Tranche 1 [1]	17-Aug-23	300	195	105
Lower Mattagami River Project - Tranche 2 [1]	17-Aug-19	100	0	100
UMH Energy Partnership credit facilities [1]	15-Oct-19	16	15	1
UMH Energy Partnership overdraft facilities [1]	15-Oct-19	8	0	8
Total		**1,925**	**784**	**1,141**

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, 2023). OPG had $170 million of CP outstanding as at December 31, 2018.
- As at December 31, 2017, OPG had issued $404 million of letters of credit, about $364 million of which was attributed to its supplementary pension plan.
- The Company's $2,350 million credit facility provided by the OEFC matured at December 31, 2018. The Company is currently working with the OEFC for a new facility.
- The LMELP and UMH facilities are used to support the respective projects and are non-recourse to OPG.

Company Profile

As at December 31, 2018

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
Portlands Energy Centre 1	*2%*	275
Brighton Beach 1	*2%*	280
Lennox (Dual oil & gas)	*13%*	2,100
	18%	**2,860**
Hydroelectric		
Contracted 2	*8%*	1,280
Regulated	*39%*	6,426
	47%	**7,706**
Other (Wind) 3	*0%*	1
Total Capacity	**100%**	**16,295**

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

- OPG is the largest generator of electricity in Ontario.
- In 2018, OPG generated 74.0 terawatt hours of electricity with total in-service capacity of 16,295 MW as at December 31, 2018.
  - The increase in generating capacity is largely attributed Eagle Creek, offset by the closure of the Thunder Bay biomass GS.
- 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.
  - OPG, a subsidiary of the Six Nations of the Grand River Development Corporation and Mississaugas of the Credit First Nation jointly own the Nanticoke Solar facility (in service March 2019), with OPG owning 80% of the facility.

Ontario Power Generation Inc.

(CAD millions)	December 31				December 31		
Assets	**2018**	**2017**	**2016**	**Liabilities & Equity**	**2018**	**2017**	**2016**
Cash & equivalents	349	418	398	S.T. borrowings	322	260	2
Accounts receivable	483	369	429	Accounts payable	1,161	1,228	1,164
Inventories	397	412	410	Current portion L.T.D.	368	398	1,103
Regulatory assets	490	0	0	Regulatory liabilities	36	0	0
Prepaid expenses & other	419	365	520	Deferred revenue & other	46	92	135
Total Current Assets	**2,138**	**1,564**	**1,757**	**Total Current Liab.**	**1,933**	**1,978**	**2,404**
Net fixed assets	22,987	21,322	19,998	Long-term debt	7,188	5,921	4,417
Intangibles	363	133	99	Deferred income taxes	1,018	879	829
Financing receivables	1,788	1,179	0	Pension & post-retirement benefits	6,339	6,515	5,909
Nuclear removal/waste mgmt. funds	17,464	16,701	15,960	Nuclear removal/waste mgmt. funds	21,225	20,421	19,484
Regulatory assets	6,769	7,231	5,855	Regulatory liabilities	762	594	310
Investments, materials & other	743	692	703	Payables & other L.T. liab.	660	603	511
				Shareholders' equity	13,127	11,911	10,508
Total Assets	**52,252**	**48,822**	**44,372**	**Total Liab. & SE**	**52,252**	**48,822**	**44,372**

Balance Sheet & Liquidity & Capital Ratios	For the year ended December 31				
	2018	**2017**	**2016**	**2015**	**2014**
Current ratio	1.11	0.79	0.73	1.33	1.09
Total debt in capital structure	37.5%	35.6%	34.4%	36.1%	37.7%
Total debt in capital structure 1, 2, 3	26.9%	26.2%	34.3%	35.8%	37.3%
Cash flow/Total debt	28.0%	26.4%	40.4%	31.4%	28.2%
Cash flow/Total debt 1, 2	45.0%	40.0%	40.6%	31.9%	28.7%
(Cash flow - dividends)/Capex (times)	1.05	0.94	1.23	1.30	1.05
(Cash flow - n.w.f.)/Total debt 1, 2, 5	39.3%	33.7%	32.9%	25.4%	22.5%
Dividend payout ratio	78.4%	0.0%	0.0%	0.0%	0.0%
Coverage Ratios (times)					
EBIT gross interest coverage 4	0.77	(0.13)	(0.17)	(0.86)	0.24
EBIT gross interest coverage 1, 2, 4	1.00	(0.24)	(0.14)	(0.86)	0.27
EBITDA gross interest coverage 4	3.38	2.17	4.05	2.89	2.75
Fixed-charges coverage 4	0.77	(0.13)	(0.17)	(0.86)	0.24
Profitability Ratios					
EBITDA margin 4	18.4%	12.4%	21.4%	15.5%	16.6%
EBIT margin 4	4.2%	-0.7%	-0.9%	-4.6%	1.5%
Profit margin 4	6.5%	-0.3%	-1.9%	-5.0%	1.8%
Return on equity 4	2.9%	-0.1%	-1.0%	-2.8%	1.0%
Return on capital 1, 3, 4	2.2%	0.5%	0.1%	-0.8%	1.4%

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 Includes NWF payments as they are not discretionary.

Rating History

Debt	Current	2018	2017	2016	2015	2014
Issuer Rating	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)
Unsecured Debt	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, April 26, 2018.

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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