ONTARIO POWER GENERATION

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Ken Hartwick
CFO and Senior Vice President

Jeff Lyash
President and CEO

Approval to Increase Total Funding for the D2O Storage Facility Project – Project #31555

Ken and Jeff:

The purpose of this memorandum is to request your approval to release funds from the Darlington Nuclear Refurbishment ("DNR") Program General Program Reserve in the amount of $15 Million to continue essential support to the D2O Storage Facility Project. The currently approved funding for this project is $390.2 Million. With the addition of the funds requested in this memorandum, funding will be increased to a total of $405.2 Million.

These funds will be used to enable the project team to continue their essential support to the project, complete planning activities toward re-start, continue developing commissioning work plans, cover Joint Venture (JV) transition costs, complete key weather dependent activities to preserve the facility and develop/approve a superseding BCS toward project completion. A breakdown of costs is provided below.

OPG PMT (1)	$3.8M
OPG Labour for care of facility	$1M
JV transition costs	$1.8M
JV PM/material/Asset Preservation Costs	$8.4M
Total:	$15.0M

(1) Assumes a cessation of interest payments until full project remobilization and commencement of construction activities required to complete the facility and place it in-service.

The project is also working with Contract Management, Supply Chain and Law to ensure that the proper processes are followed and our contractual rights regarding dispute resolution of the amounts OPG will claim as rework (defective work) and full rights to audit all costs are not compromised.

Consistent with DNR change control policy, I am requesting the full amount of $15 Million to be released from the General Program Reserve. The $15 Million assumes what we believe to be the minimum amount required to progress the project into late summer 2017. We will aggressively manage the costs per terms and conditions of the final settlement agreement with the Joint Venture.

The General Program Reserve can accommodate this request, and, any unused amounts will be returned to the General Program Reserve upon completion of the project. As the DNR Program progresses, additional Unit 2 contingency and/or favourable variances may be made available and transferred to the General Program Reserve. Our intent is to manage these costs within the total funds released to the refurbishment project to date.

As noted in the recent communication, the project team are preparing an updated Estimate at Completion for this project which will include the amounts included in this memorandum.

Upon your approval, standard processes to increase the Purchase Order values and manage change control within DNR will be followed.

Yours truly:

Dietmar Reiner
SVP Nuclear Projects

Concurred By:

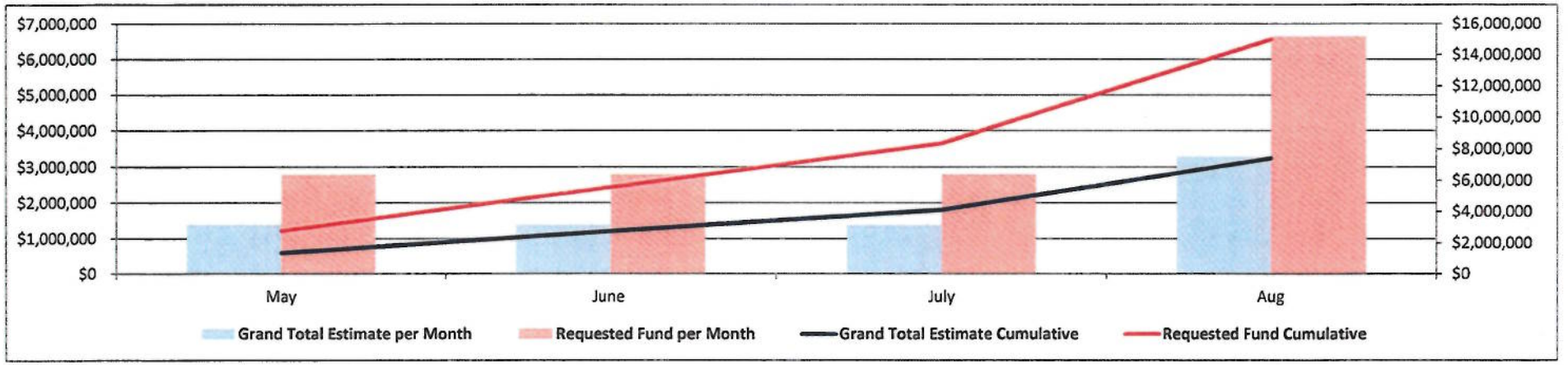
Ken Hartwick
CFO and Senior Vice President

Approval:

Jeff Lyash
President and CEO

CC:
Carla Carmicahel, VP, Project Assurance and Contract Management
Peter Simpson, Deputy VP, Refurbishment Execution
Gary Rose, VP, Planning and Project Controls, Nuclear PMO
Leo Saagi, Director – Controllership, Nuclear Projects, OPG
Lonny Tulk, Director Supply Services Supply Chain, OPG

D2O Storage Project - Estimated funding requirements, May - Oct 2017

Last Update: July 7, 2017

	May	June	July	Aug	Sep	Oct	Total	Remarks
Project PMT	$610,000	$610,000	$610,000	$610,000	$610,000	$610,000	$3,660,000	Estimated monthly funding to cover: - OPG Eng. Support - OPG Projects Team - OPG CMO/FE core team (Eric, Sue, Zane, Ted) - Aquatech - PGL - And support from TRF, DO, DCC group as required
Direct Hire (D/H) Elec/Laborers	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000	$900,000	Includes 4 D/H BTUs (2 laborers, 2 Electricians per 8 hr shift, days, afternoons, part weekends) for dewatering/temp power monitoring, clean-up
Interest	$0	$0	$0	$0	$0	$0	$0	
Project Controls	$20,000	$20,000	$20,000	$20,000	$20,000	$40,000	$140,000	2 CSAs + 1 PCM (40*2*$80+40*1*$115)/Week
OPG Costs Sub-Total	**$780,000**	**$780,000**	**$780,000**	**$780,000**	**$780,000**	**$800,000**	**$4,700,000**	
JV Transition Costs (Estimate)	**$600,000**	**$600,000**	**$600,000**	**$0**	**$0**	**$0**	**$1,800,000**	
Asset Preservation Costs Sub-Total	**$0**	**$0**	**$0**	**$2,500,000**	**$2,500,000**	**$3,000,000**	**$8,000,000**	
Grand Total Estimate per Month	**$1,380,000**	**$1,380,000**	**$1,380,000**	**$3,280,000**	**$3,280,000**	**$3,800,000**	**$14,500,000**	
Grand Total Estimate Cumulative	**$1,380,000**	**$2,760,000**	**$4,140,000**	**$7,420,000**	**$10,700,000**	**$14,500,000**		**Requested Fund: $15,000,000**
Requested Fund per Month	$2,789,757	$2,789,757	$2,789,757	$6,630,728				
Requested Fund Cumulative	$2,789,757	$5,579,515	$8,369,272	$15,000,000