November 14, 2024

# OPG reports 2024 third quarter financial results

## *Darlington's Unit 1 progressing toward return-to-service; additional green bonds issued; advancing hydroelectric refurbishments*

**Toronto** – Ontario Power Generation Inc. (OPG or Company) today reported its financial and operating results for the third quarter of 2024, with net income attributable to the Shareholder of $379 million, compared to $444 million for the same period last year.

**Darlington Nuclear Generating Station's (Darlington GS) Unit 1 reactor is progressing toward return-to-service from refurbishment**

"Once again, we are demonstrating that through detailed planning, innovation, and a committed, skilled workforce, large nuclear projects can be completed on time or ahead of schedule," said Ken Hartwick, OPG President and CEO. "With Unit 1 nearing completion ahead of schedule and Unit 4 well underway, we are on track to bring the Darlington refurbishment project over the finish line in 2026, as was our commitment when we began project execution in 2016. A refurbished Darlington will play a critical role in meeting the province's rapidly growing low-carbon energy needs."

In October 2024, Ontario's Independent Electricity System Operator (IESO) updated its electricity demand forecast, which shows Ontario's demand for energy increasing faster than previously anticipated. According to the forecast, demand will grow by 75 per cent leading up to 2050. Following the IESO's announcement, the Province released *Ontario's Affordable Energy Future: The Pressing Case for More Power* document on October 22, 2024, and followed it up with the introduction of the *Affordable Energy Act, 2024* (Bill 214) on October 23, 2024. Together, they outline the Province's vision for meeting Ontario's growing demand for energy, which includes an ongoing, significant role for nuclear power.

**Green Bond Issuance**

In September 2024, OPG issued an additional $300 million of green bonds under its Sustainable Finance Framework (Framework). Net proceeds from this issuance will fund Eligible Green Projects as defined under the Framework. To date in 2024, OPG has issued $1.3 billion of green bonds under the Framework.

OPG has issued approximately $4.6 billion in green bonds since 2018, including offerings by its subsidiaries.

"OPG is Canada's largest corporate issuer of green bonds as of September 30, 2024," said Hartwick. "Under our current framework, this financing mechanism enables OPG to fund projects that help further decarbonize the electricity system while also working with Indigenous communities, businesses and organizations to reduce systemic barriers to full economic participation."

**Hydroelectric Refurbishments**

Across the province, OPG continues to plan for and execute refurbishments of its hydroelectric fleet that supplies about 20 per cent of Ontario's electricity. This includes 19 units at the Sir Adam Beck I and II generating stations (SAB1 and SAB2), OPG low-carbon workhorses that have been reliably generating electricity for Ontarians for more than a century. OPG has begun project execution on unit G4 at SAB1, and project planning continues for SAB2 units G19 and G20.

"By refurbishing our hydroelectric fleet, we are ensuring these assets are optimized to play a key role in meeting the province's increasing need for low-carbon electricity," said Hartwick. "Our flagship Sir Adam Beck complex is a great example of how assets built a century ago continue to serve Ontarians. By investing in the refurbishments, OPG is securing decades more of reliable, low-cost generation while creating and preserving good jobs."

**President and CEO Announcement**

Earlier today, OPG's Board of Directors (Board) announced Ken Harwick's decision to retire at the end of 2024 after nearly nine years with the Company. In line with OPG's leadership succession plan, the Board has appointed Nicolle Butcher as President and CEO effective January 1, 2025. OPG will implement the transitional plan that is in place to ensure a seamless handover of responsibilities. Hartwick will partner with Butcher to ensure a smooth transition until the end of the year and be available in 2025 for transitional support.

Third quarter highlights include:

**Net income attributable to the Shareholder**

Net income attributable to the Shareholder decreased by $65 million for the three months ended September 30, 2024, compared to the same period in 2023. The decrease was primarily attributable to expected lower earnings from the Regulated – Nuclear Generation business segment, driven by higher operations, maintenance and administration expenses, higher depreciation and amortization expenses, and a lower base regulated price for OPG's nuclear electricity generation in effect during 2024 as previously approved by the Ontario Energy Board.

**Generating and Operating Performance**

Electricity generated was 21.7 terawatt hours (TWh) and 61.7 TWh for the three and nine month periods ended September 30, 2024, respectively, compared to 20.9 TWh and 60.1 TWh for the same periods in 2023.

*Regulated – Nuclear Generation Segment*

Electricity generation from the Regulated – Nuclear Generation business segment decreased by 2.2 TWh during the nine months ended September 30, 2024, compared to the same period in 2023, primarily due to higher planned and unplanned outage days at the Darlington GS, partially offset by higher electricity generation at the Pickering nuclear generating station (Pickering GS) due to fewer planned outage days. The electricity generation for the three months ended September 30, 2024 was comparable to the same period in 2023.

The Darlington GS unit capability factor increased to 94.8 per cent for the three months ended September 30, 2024, compared to 93.0 per cent for the same period in 2023. The increase was primarily due to fewer unplanned outage days. The station's unit capability factor decreased to 74.8 per cent for the nine months ended September 30, 2024, compared to 97.5 per cent for the same period in 2023, due to a higher number of planned and unplanned outage days.

The Pickering GS unit capability factor increased to 82.9 per cent for the nine months ended September 30, 2024, compared to 80.1 per cent for the same period in 2023. The increase was primarily due to fewer planned outage days, partially offset by a higher number of unplanned outage days. The station's unit capability factor for the three months ended September 30, 2024 was comparable to the same period in 2023.

*Regulated – Hydroelectric Generation Segment*

Electricity generation from the Regulated – Hydroelectric Generation business segment increased by 0.5 TWh for the three months ended September 30, 2024, compared to the same period in 2023, primarily due to higher water flows across most of Ontario. The increase of 1.0 TWh for the nine months ended September 30, 2024, compared to the same period in 2023, was due to higher electricity demand and higher water flows across most of Ontario.

Availability at the regulated hydroelectric stations decreased to 81.5 per cent and 86.3 per cent for the three and nine month periods ended September 30, 2024, respectively, compared to 83.7 per cent and 87.4 per cent for the same periods in 2023. The decreases in both periods were primarily due to higher planned outages across the regulated hydroelectric fleet.

*Contracted Hydroelectric and Other Generation Segment*

Electricity generation from the Contracted Hydroelectric and Other Generation business segment for the three and nine month periods ended September 30, 2024 was comparable to the same periods in 2023.

Availability of the hydroelectric stations in the business segment decreased to 79.0 per cent and 82.4 per cent for the three and nine month periods ended September 30, 2024, respectively, compared to 84.8 per cent and 89.3 per cent for the same periods in 2023, primarily due to higher number of planned outage days at the Lower Mattagami hydroelectric generating stations in Ontario.

*Atura Power Segment*

Electricity generation from the Atura Power business segment increased by 0.5 TWh and 3.0 TWh during the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023, primarily due to higher demand for electricity generation from the combined cycle plants.

Thermal Availability of the generating stations in the segment decreased to 87.7 per cent as at September 30, 2024, compared to 89.5 per cent as at September 30, 2023, primarily due to a planned outage at the Halton Hills generating station.

**Generation Development**

OPG is undertaking a number of generation development and other major projects in support of Ontario's electricity system.

Significant developments during the third quarter of 2024 included the following:

*Darlington Refurbishment*

The Darlington Refurbishment project will extend the operating life of the four-unit Darlington GS by at least 30 years.

The refurbishment of Unit 1 is currently in the fourth and final major segment, Power Up, and is in the final stages of returning the unit to service, ahead of its original schedule set for the second quarter of 2025. Reactor construction work was completed in August 2024, and start-up activities are in progress. The project is working toward the final regulatory approval from the Canadian Nuclear Safety Commission, in preparation for Unit 1 to return to full power.

In September 2024, OPG concluded the second major segment of the Unit 4 refurbishment, Disassembly, with the completion of the removal of fuel channel assemblies. The Unit 4 refurbishment has now transitioned into the third major segment, Reassembly, which includes the installation and reassembly of reactor components. The third segment is progressing as planned, with the installation of calandria tubes, fuel channels and lower feeders commenced in the third quarter of 2024. Unit 4 is the last Darlington GS unit to undergo refurbishment and is scheduled to be returned to service in 2026.

OPG continues to assess and seek ways to manage the impact of the COVID-19 pandemic on the project's total cost, which is otherwise continuing to track to the $12.8 billion budget.

Further details on the Company's major projects can be found in Management's Discussion and Analysis as at and for the three and nine month periods ended September 30, 2024, section, *Core Business and Outlook* under the heading, *Project Excellence*.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

| *(millions of dollars – except where noted)* | **Three Months Ended September 30** | | **Nine Months Ended September 30** | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Revenue | **1,891** | 1,882 | **5,349** | 5,540 |
| Fuel expense | **267** | 276 | **760** | 702 |
| Operations, maintenance and administration expenses | **775** | 723 | **2,485** | 2,319 |
| Depreciation and amortization expenses | **331** | 262 | **935** | 787 |
| Accretion on fixed asset removal and nuclear waste management liabilities | **303** | 296 | **914** | 885 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | **(277)** | (267) | **(822)** | (789) |
| Other net (gains) expenses | **(11)** | 29 | **31** | 25 |
| Earnings before interest and income taxes | **503** | 563 | **1,046** | 1,611 |
| Net interest expense | **48** | 17 | **144** | 86 |
| Income tax expense | **72** | 97 | **128** | 220 |
| Net income | **383** | 449 | **774** | 1,305 |
| | | | | |
| **Net income attributable to the Shareholder** | **379** | 444 | **760** | 1,291 |
| **Net income attributable to non-controlling interest** [1] | **4** | 5 | **14** | 14 |
| ***Earnings (loss) before interest and income taxes*** | | | | |
| Electricity generating business segments | **499** | 610 | **1,102** | 1,687 |
| Regulated – Nuclear Sustainability Services | **(24)** | (26) | **(84)** | (87) |
| Other | **28** | (21) | **28** | 11 |
| Earnings before interest and income taxes | **503** | 563 | **1,046** | 1,611 |
| ***Cash flow provided by operating activities*** | **746** | 736 | **1,782** | 1,881 |
| ***Capital expenditures*** [2] | **908** | 728 | **2,627** | 1,965 |
| ***Electricity generation (TWh)*** | | | | |
| Regulated – Nuclear Generation | **9.5** | 9.6 | **24.7** | 26.9 |
| Regulated – Hydroelectric Generation | **7.8** | 7.3 | **24.6** | 23.6 |
| Contracted Hydroelectric and Other Generation [3] | **0.8** | 0.9 | **3.8** | 4.0 |
| Atura Power | **3.6** | 3.1 | **8.6** | 5.6 |
| Total OPG electricity generation | **21.7** | 20.9 | **61.7** | 60.1 |
| ***Nuclear unit capability factor (per cent)*** [4] | | | | |
| Darlington Nuclear GS | **94.8** | 93.0 | **74.8** | 97.5 |
| Pickering Nuclear GS | **91.5** | 91.0 | **82.9** | 80.1 |
| ***Availability (per cent)*** | | | | |
| Regulated – Hydroelectric Generation | **81.5** | 83.7 | **86.3** | 87.4 |
| Contracted Hydroelectric and Other Generation – hydroelectric stations | **79.0** | 84.8 | **82.4** | 89.3 |
| Atura Power [5] | **87.7** | 89.5 | **87.7** | 89.5 |
| ***Equivalent forced outage rate (per cent)*** | | | | |
| Contracted Hydroelectric and Other Generation – thermal stations | **6.6** | 0.3 | **2.8** | 2.3 |

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

[2] Includes net changes in accruals; excludes the acquisition of the new corporate headquarters building and surrounding lands at 1908 Colonel Sam Drive in Oshawa, Ontario in February 2023.

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

[4] Excludes nuclear unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 3 of the Darlington GS was excluded from the measure during its refurbishment period of September 3, 2020 to July 17, 2023, and Unit 1 and Unit 4 of the Darlington GS have been excluded from the measure since commencing refurbishment on February 15, 2022 and July 19, 2023, respectively.

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

**About OPG**

As one of North America's largest, most diverse electricity generators, OPG invests in local economies and employs thousands of people across Ontario and the US. OPG and its family of companies are leading the development of new clean technologies, refurbishment of existing assets, and electrification initiatives to power the growing demand of a clean economy for decades to come. OPG is a recognized world leader in nuclear operations with more than five decades of experience. Learn more about how the Company is advancing these initiatives while prioritizing people, partnerships, and strong communities by reading OPG's Climate Change Plan, Reconciliation Action Plan, and Equity, Diversity, and Inclusion (ED&I) strategy.

Ontario Power Generation Inc.'s unaudited interim consolidated financial statements and Management's Discussion and Analysis as at and for the three and nine month periods ended September 30, 2024, can be accessed on OPG's web site (www.opg.com), the Canadian Securities Administrators' web site (www.sedarplus.com), or can be requested from the Company.

**For further information, please contact:**

Ontario Power Generation
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\- 30 -

# ONTARIO POWER GENERATION INC.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## 2024 THIRD QUARTER REPORT

**TABLE OF CONTENTS**

# ONTARIO POWER GENERATION INC.
# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Ontario Power Generation Inc. and its subsidiaries (OPG or Company) as at and for the three and nine month periods ended September 30, 2024. OPG's unaudited interim consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (US GAAP) and are presented in Canadian dollars, unless otherwise noted.

For a complete description of OPG's corporate strategies, risk management, corporate governance, and the effect of critical accounting policies and estimates on OPG's results of operations and financial condition, this MD&A should also be read in conjunction with OPG's audited consolidated financial statements, Annual Information Form, and MD&A as at and for the year ended December 31, 2023.

As required by *Ontario Regulation 395/11*, as amended, a regulation under the *Financial Administration Act* (Ontario), OPG adopted US GAAP for the presentation of its consolidated financial statements, effective January 1, 2012. Since January 1, 2012, OPG has also received exemptive relief from the Ontario Securities Commission (OSC) that allows OPG to apply US GAAP instead of International Financial Reporting Standards (IFRS). In September 2022, the OSC approved an exemption which allows the Company to continue to apply US GAAP up to January 1, 2027. The term of the exemption is subject to certain conditions, which may result in the expiry of the exemption prior to January 1, 2027. For details, refer to the section, *Critical Accounting Policies and Estimates* under the heading, *Exemptive Relief for Reporting under US GAAP*, in OPG's 2023 annual MD&A. This MD&A is dated November 14, 2024.

Additional information about OPG, including the Company's Annual Information Form, is available on SEDAR+ www.sedarplus.com and the Company's website at www.opg.com.

## FORWARD-LOOKING STATEMENTS

The MD&A contains forward-looking statements that reflect OPG's current views regarding certain future events and circumstances. Any statement contained in this document that is not current or historical is a forward-looking statement. OPG generally uses words such as "anticipate", "believe", "budget", "foresee", "forecast", "estimate", "expect", "schedule", "intend", "plan", "project", "seek", "target", "goal", "strategy", "may", "will", "should", "could" and other similar words and expressions to indicate forward-looking statements. The absence of any such word or expression does not indicate that a statement is not forward-looking.

All forward-looking statements involve inherent assumptions, risks and uncertainties, including those set out in the section, *Risk Management*, and forecasts discussed in the section, *Core Business and Outlook.* All forward-looking statements could be inaccurate to a material degree. In particular, forward-looking statements may contain assumptions such as those relating to OPG's generating station (GS) performance, availability and operating lives, fuel costs, surplus baseload generation (SBG), fixed asset removal and nuclear waste management obligations and associated funding requirements, performance and earnings of investment funds, refurbishment of existing facilities, development and construction of new facilities, acquisition transactions and other business expansion opportunities, performance of acquired businesses, defined benefit pension and other post-employment benefit (OPEB) obligations and funds, income taxes, proposed new legislation, government policy, the ongoing evolution of electricity industries and markets in Ontario, Canada and the United States of America (United States or US), the continued application and renewal of energy supply agreements (ESAs) with the Independent Electricity System Operator (IESO) and other contracts for non-regulated facilities, foreign currency exchange rates, commodity prices, wholesale electricity market prices, environmental and other regulatory requirements, operating licence applications to the Canadian Nuclear Safety Commission (CNSC) and the Federal Energy Regulatory Commission (FERC), health, safety and environmental developments, the COVID-19 pandemic, changes in the Company's workforce, renewal of union collective agreements, business continuity events, the weather, climate change, technological change, financing requirements and liquidity, funding sources, applications to the Ontario Energy Board (OEB) for regulated prices, the impact of regulatory decisions by the OEB, clean energy investment government programs, forecasts of earnings, cash flow, earnings before interest, income taxes, depreciation and amortization, gross margin, operations, maintenance and administration (OM&A) expenses and project and other expenditures, retention of critical talent, and supplier and third party performance. Accordingly, undue reliance should not be placed on any forward-looking statement. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Except as required by applicable securities laws, OPG does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise.

### Use of Non-GAAP Financial Measures

The Company uses the following non-GAAP financial performance measures in the MD&A:

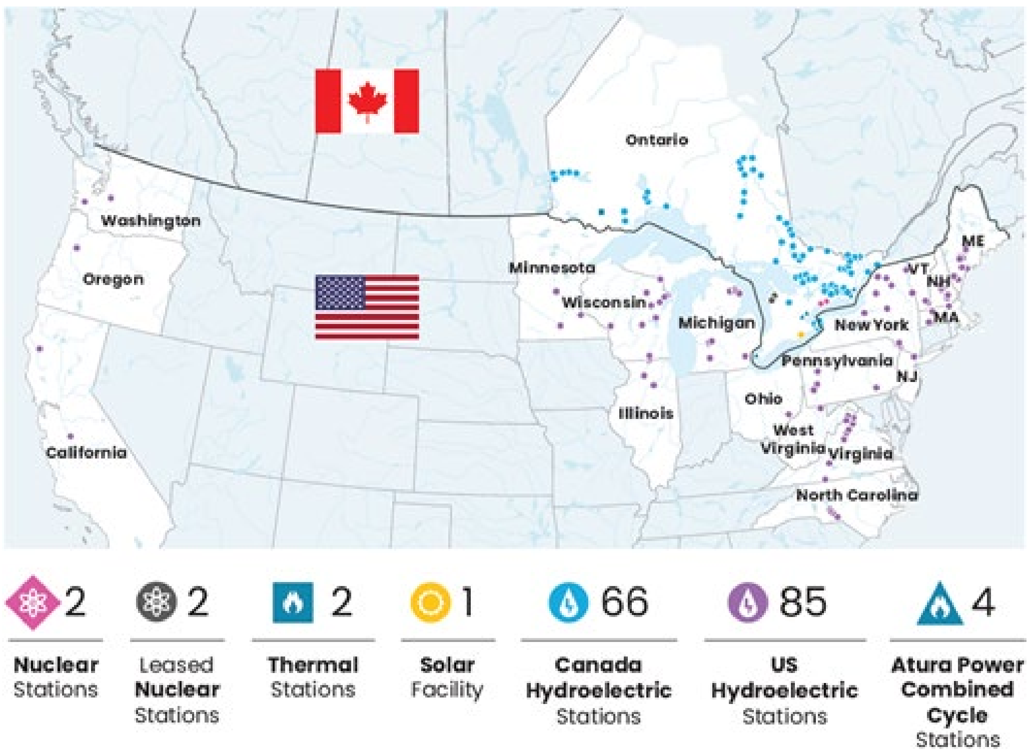
- "Earnings before Interest, Income Taxes, Depreciation and Amortization"; and
- "Gross Margin".

For a detailed description of each of the non-GAAP measures used in this MD&A, refer to the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*. The non-GAAP financial performance measures set out in this MD&A are intended to provide additional information to investors and do not have any standardized meaning under US GAAP, and therefore may not be comparable to other issuers, and should not be considered in isolation or as a substitute for measures of performance prepared under US GAAP.

## THE COMPANY

OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity. OPG was established under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (Province or Shareholder). OPG's electricity generation portfolio had an in-service generating capacity of 18,236 megawatts (MW) as at September 30, 2024.

As at September 30, 2024, OPG owned and operated two nuclear generating stations, 66 hydroelectric generating stations, two thermal generating stations, one solar facility and four combined-cycle gas turbine (combined cycle) plants in Ontario, Canada. The combined cycle plants are natural gas-fired facilities owned and operated through the Company's wholly-owned subsidiary operating as Atura Power. Through its US-based wholly-owned subsidiary, OPG Eagle Creek Holdings LLC (Eagle Creek), OPG also wholly or jointly owned and operated 85 hydroelectric generating stations and held minority interests in 14 hydroelectric and two solar facilities in the US as at September 30, 2024. In addition, OPG owned two nuclear generating stations in Ontario, the Bruce A GS and the Bruce B GS, (Bruce nuclear generating stations), which are leased on a long-term basis to, and operated by, Bruce Power L.P. (Bruce Power).




Income from co-owned and minority-held facilities is accounted for using the equity method of accounting. OPG's proportionate share of in-service generating capacity and electricity generation volume from co-owned and minority-held facilities is included in the Company's generation portfolio statistics set out in this MD&A.

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

On January 31, 2024, OPG, under Eagle Creek, acquired Lightstar Renewables LLC and Lightstar Operations One LLC (collectively, Lightstar). Lightstar engages in the business of development, construction, operation and sale of community solar generation projects in the US, and is included in the Contracted Hydroelectric and Other Generation business segment.

## Reporting Structure

The composition of OPG's reportable business segments effective as at September 30, 2024 was as follows:

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

## In-Service Generating Capacity

OPG's in-service generating capacity by business segment as at September 30, 2024 and December 31, 2023 was as follows:

| | As At | |
|---|---|---|
| *(MW)* | **September 30 2024** | **December 31 2023** |
| Regulated – Nuclear Generation [1] | **4,850** | 4,850 |
| Regulated – Hydroelectric Generation | **6,566** | 6,566 |
| Contracted Hydroelectric and Other Generation [2] | **4,105** | 4,105 |
| Atura Power | **2,715** | 2,715 |
| Total [3] | **18,236** | 18,236 |

[1] The in-service generating capacity as at September 30, 2024 and December 31, 2023 excludes Unit 1 and Unit 4 of the Darlington nuclear generating station. Unit 1 and Unit 4 were taken offline for refurbishment in February 2022 and July 2023, respectively, and each have a generating capacity of 878 MW.

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

[3] In-service generating capacity represents the portion of installed capacity (the highest level of MW output which a generating unit can maintain indefinitely under reference conditions, without damage to the unit) that has not been removed from service.

## HIGHLIGHTS

### Overview of Results

This section provides an overview of OPG's unaudited interim consolidated operating results for the three and nine month periods ended September 30, 2024, compared to the same periods in 2023. A discussion of OPG's performance by business segment can be found in the section, *Discussion of Operating Results by Business Segment*.

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *(millions of dollars – except where noted)* | **2024** | **2023** | **2024** | **2023** |
| Revenue | **1,891** | 1,882 | **5,349** | 5,540 |
| Fuel expense | **267** | 276 | **760** | 702 |
| Operations, maintenance and administration expenses | **775** | 723 | **2,485** | 2,319 |
| Depreciation and amortization expenses | **331** | 262 | **935** | 787 |
| Accretion on fixed asset removal and nuclear waste management liabilities | **303** | 296 | **914** | 885 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | **(277)** | (267) | **(822)** | (789) |
| Other net (gains) expenses | **(11)** | 29 | **31** | 25 |
| Earnings before interest and income taxes | **503** | 563 | **1,046** | 1,611 |
| Net interest expense | **48** | 17 | **144** | 86 |
| Income tax expense | **72** | 97 | **128** | 220 |
| Net income | **383** | 449 | **774** | 1,305 |
| Net income attributable to the Shareholder | **379** | 444 | **760** | 1,291 |
| Net income attributable to non-controlling interest [1] | **4** | 5 | **14** | 14 |
| *Electricity generation (TWh)* [2] | **21.7** | 20.9 | **61.7** | 60.1 |
| *Cash flow provided by operating activities* | **746** | 736 | **1,782** | 1,881 |
| *Capital expenditures* [3] | **908** | 728 | **2,627** | 1,965 |
| *Earnings (loss) before interest and income taxes by segment* | | | | |
| Regulated – Nuclear Generation | **241** | 352 | **245** | 797 |
| Regulated – Hydroelectric Generation | **120** | 111 | **446** | 453 |
| Contracted Hydroelectric and Other Generation [4] | **54** | 60 | **197** | 225 |
| Atura Power | **84** | 87 | **214** | 212 |
| Total electricity generating business segments | **499** | 610 | **1,102** | 1,687 |
| Regulated – Nuclear Sustainability Services | **(24)** | (26) | **(84)** | (87) |
| Other | **28** | (21) | **28** | 11 |
| Earnings before interest and income taxes | **503** | 563 | **1,046** | 1,611 |

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

2 Includes OPG's proportionate share of electricity generation from co-owned and minority-held facilities.

3 Includes net changes in accruals; excludes the acquisition of the new corporate headquarters building and surrounding lands at 1908 Colonel Sam Drive in Oshawa, Ontario in February 2023.

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

Third Quarter

Net income attributable to the Shareholder was $379 million for the third quarter of 2024, representing a decrease of $65 million compared to the same quarter in 2023.

Earnings before interest and income taxes (EBIT) were $503 million for the third quarter of 2024, representing a decrease of $60 million compared to the same quarter in 2023.

*Significant factors that decreased EBIT:*

- Higher OM&A expenses of $34 million from the Regulated – Nuclear Generation business segment, primarily due to lower amounts of OM&A expenses recorded as recoverable from customers through OEB-authorized regulatory deferral and variance accounts (regulatory accounts) and higher expenditures related to the cyclical maintenance activities and other planned maintenance work executed at the Darlington nuclear generating station (Darlington GS);
- Higher depreciation and amortization expenses of $33 million from the Regulated – Nuclear Generation business segment, excluding amortization expense related to the recovery and repayment of OEB-authorized regulatory account balances, largely due to lower amounts of depreciation expense recorded as recoverable from customers through regulatory accounts; and
- Decrease in revenue of $27 million from the Regulated – Nuclear Generation business segment, due to a lower OEB-authorized base regulated price for OPG's nuclear electricity generation (nuclear base regulated price) in effect during 2024. An increase in revenue reflecting the impact of the new rate riders for disposition of regulatory accounts under the OEB's June 2024 decision and order, effective July 1, 2024, approving a proposed complete settlement reached by OPG and intervenors on OPG's requested disposition of such balances in an application filed in December 2023 (Settlement Agreement) was largely offset by a corresponding increase in the amortization expense of regulatory assets and regulatory liabilities recorded for regulatory account balances.

*Significant factor that increased EBIT:*

- A gain of $25 million recorded in the third quarter of 2024 within the Other category related to changes in the market value of non-core equity holdings in a publicly traded company.

Net interest expense increased by $31 million in the third quarter of 2024, compared to the same period in 2023, primarily due to a higher amount of interest recorded as recoverable from customers through regulatory accounts in the third quarter of 2023.

Income tax expense decreased by $25 million for the three months ended September 30, 2024, compared to the same period in 2023. The decrease was primarily due to the impact of lower earnings before income taxes and certain tax adjustments recorded in the third quarter of 2024.

Year-To-Date

Net income attributable to the Shareholder was $760 million for the first nine months of 2024, representing a decrease of $531 million compared to the same period in 2023.

Earnings before interest and income taxes were $1,046 million for the first nine months of 2024, a decrease of $565 million compared to the same period in 2023.

*Significant factors that decreased EBIT:*

- Net decrease in revenue of $323 million from the Regulated – Nuclear Generation business segment, as a result of lower electricity generation of 2.2 terawatt hours (TWh) and a lower nuclear base regulated price in effect during 2024. The lower electricity generation was expected and primarily due to higher planned outage days at the Darlington GS as a result of a planned cyclical maintenance outage on Unit 2 of the station in the first half of 2024, partially offset by fewer planned outage days at the Pickering GS. An increase in revenue reflecting the impact of the new rate riders for disposition of regulatory accounts under the OEB's June 2024 decision and order, effective July 1, 2024, approving the Settlement Agreement was largely offset by a corresponding increase in the amortization expense of regulatory assets and regulatory liabilities recorded for regulatory account balances;
- Higher OM&A expenses of $103 million from the Regulated – Nuclear Generation business segment, largely due to expected higher expenditures related to the cyclical maintenance activities and other planned maintenance work executed as a result of higher planned outage days at the Darlington GS, partially offset by lower expenses due to fewer planned outage days at the Pickering GS; and
- Higher depreciation and amortization expenses of $91 million from the Regulated – Nuclear Generation business segment, excluding amortization expense related to the recovery and repayment of OEB-authorized regulatory account balances, primarily due to higher depreciation expense recognized from placing capital in service, including the return to service of Unit 3 of the Darlington GS following refurbishment in July 2023 and lower amounts of depreciation expense recorded as recoverable from customers through regulatory accounts.

Net interest expense increased by $58 million for the nine months ended September 30, 2024, compared to the same period in 2023, primarily due to a higher amount of interest recorded as recoverable from customers through regulatory accounts in the third quarter of 2023 and higher interest on the Company's long-term debt due to bond issuances during 2024.

Income tax expense decreased by $92 million for the nine months ended September 30, 2024, compared to the same period in 2023. The decrease was primarily due to the impact of lower earnings before income taxes and certain tax adjustments recorded in the second quarter of 2023.

## Trends

OPG's quarterly electricity generation and the financial results of the Regulated – Nuclear Generation business segment are primarily impacted by outage activities at the nuclear generating stations. The frequency and timing of planned outages under a station's maintenance outage cycle and the timing of refurbishment activities may result in period-over-period variability in OPG's financial results. The maintenance outage cycle at each of OPG's nuclear generating stations determines the number of planned outages in a particular year. Outage cycles are designed to ensure continued safe and reliable long-term operations of the stations and their compliance with the CNSC's regulatory requirements.

The Darlington and Pickering nuclear generating stations have been designed to operate at full power as baseload generating facilities and therefore their electricity production does not vary with changes in grid-supplied electricity demand.

OPG's quarterly electricity generation from the Regulated – Hydroelectric Generation, Contracted Hydroelectric and Other Generation, and Atura Power business segments is affected by changes in grid-supplied electricity demand. Changes in grid-supplied electricity demand are primarily caused by variations in seasonal weather conditions, changes in economic conditions, the impact of small-scale generation embedded in distribution networks, and the impact of conservation efforts. Historically, there has been greater electricity demand in Ontario during the winter and summer months due to heating and air conditioning demands.

OPG's quarterly electricity generation from hydroelectric facilities is impacted by weather conditions that affect water flows. Historically, there have been higher water flows in the second quarter as a result of snow and ice melt entering the river systems. The financial impact of variability in water flows on the Regulated – Hydroelectric Generation business segment is mitigated by regulatory accounts.

The financial impact of variability in electricity generation from the Contracted Hydroelectric and Other Generation business segment and the Atura Power business segment is mitigated by the terms of the applicable ESAs with the IESO for the contracted generating facilities in Ontario.

## Electricity Generation

Electricity generation for the three and nine month periods ended September 30, 2024 and 2023 was as follows:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *(TWh)* | **2024** | **2023** | **2024** | **2023** |
| Regulated – Nuclear Generation | **9.5** | 9.6 | **24.7** | 26.9 |
| Regulated – Hydroelectric Generation | **7.8** | 7.3 | **24.6** | 23.6 |
| Contracted Hydroelectric and Other Generation [1] | **0.8** | 0.9 | **3.8** | 4.0 |
| Atura Power | **3.6** | 3.1 | **8.6** | 5.6 |
| Total OPG electricity generation | **21.7** | 20.9 | **61.7** | 60.1 |

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

Total OPG electricity generation increased by 0.8 TWh and 1.6 TWh for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023.

Electricity generation from the Regulated – Nuclear Generation business segment decreased by 2.2 TWh during the nine months ended September 30, 2024, compared to the same period in 2023, primarily due to higher planned and unplanned outage days at the Darlington GS, partially offset by higher electricity generation at the Pickering GS due to fewer planned outage days. The electricity generation for the three months ended September 30, 2024 was comparable to the same period in 2023.

Electricity generation from the Regulated – Hydroelectric Generation business segment increased by 0.5 TWh for the three months ended September 30, 2024, compared to the same period in 2023, primarily due to higher water flows across most of Ontario. The increase of 1.0 TWh for the nine months ended September 30, 2024, compared to the same period in 2023, was due to less production forgone as a result of SBG conditions reflecting higher electricity demand, and higher water flows across most of Ontario.

Electricity generation from the Contracted Hydroelectric and Other Generation business segment for the three and nine month periods ended September 30, 2024 was comparable to the same periods in 2023.

Electricity generation from the Atura Power business segment increased by 0.5 TWh and 3.0 TWh for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023, primarily due to higher demand for electricity generation from the combined cycle plants.

Ontario's electricity demand as reported by the IESO for the three and nine month periods ended September 30, 2024, excluding electricity exports out of the province, was 36.9 TWh and 105.4 TWh, respectively, compared to 35.3 TWh and 102.7 TWh for the same periods in 2023.

Power that is surplus to the Ontario market is managed by the IESO, mainly through generation reductions at hydroelectric and certain nuclear stations, and other grid-connected renewable resources. Baseload generation surplus in Ontario was lower for the three and nine month periods ended September 30, 2024, compared to the same periods in 2023. Production forgone at OPG's regulated hydroelectric stations due to SBG conditions was nil and 0.3 TWh for the three and nine month periods ended September 30, 2024, compared to nil and 0.8 TWh, respectively, for the same periods in 2023. The gross margin impact of production forgone at OPG's regulated hydroelectric stations due to SBG conditions was offset by the impact of a regulatory account authorized by the OEB. OPG did not forgo any electricity production at its nuclear generating stations due to SBG conditions.

### Cash Flow from Operations

Cash flow provided by operating activities was $746 million and $1,782 million for the three and nine month periods ended September 30, 2024, respectively, compared to $736 million and $1,881 million for the same periods in 2023.

The increase for the three months ended September 30, 2024 was primarily due to higher revenue receipts from the Regulated – Hydroelectric Generation business segment and lower income tax installment payments, largely offset by lower revenue receipts from the Regulated – Nuclear Generation business segment and higher OM&A expenditures.

The decrease for the nine months ended September 30, 2024 was primarily due lower revenue receipts from the Regulated – Nuclear Generation business segment and higher OM&A expenditures, largely offset by lower income tax installment payments.

### Capital Expenditures

Capital expenditures for the three and nine month periods ended September 30, 2024 and 2023 were as follows:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *(millions of dollars)* | **2024** | **2023** | **2024** | **2023** |
| Regulated – Nuclear Generation – Darlington Refurbishment Project | **255** | 228 | **748** | 718 |
| Regulated – Nuclear Generation – Excluding Darlington Refurbishment Project | **377** | 222 | **1,088** | 594 |
| Regulated – Hydroelectric Generation | **123** | 108 | **282** | 235 |
| Contracted Hydroelectric and Other Generation | **64** | 84 | **162** | 244 |
| Atura Power | **53** | 53 | **253** | 88 |
| Other [1] | **36** | 33 | **94** | 86 |
| Total capital expenditures [2] | **908** | 728 | **2,627** | 1,965 |

[1] Excludes the acquisition of the new corporate headquarters building and surrounding lands at 1908 Colonel Sam Drive in Oshawa, Ontario in February 2023.
[2] Includes net changes in accruals.

Total capital expenditures increased by $180 million and $662 million for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023.

Capital expenditures for the Darlington Refurbishment project increased by $27 million and $30 million for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023. The increases in both periods were primarily driven by execution work on Unit 4 of the Darlington GS, which commenced refurbishment in July 2023. The increases in both periods were partially offset by lower capital expenditures on Unit 1 of the Darlington GS, which is expected to return to service in the fourth quarter of 2024, and Unit 3, which was returned to service in July 2023.

Excluding the Darlington Refurbishment project, capital expenditures for the Regulated – Nuclear Generation business segment increased by $155 million and $494 million for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023. The increases for both periods were primarily due to expenditures on pre-execution phase refurbishment activities for Units 5 to 8 at the Pickering GS and higher expenditures on small modular reactors (SMR) at the Darlington New Nuclear Project (DNNP) site.

Capital expenditures for the Regulated – Hydroelectric Generation business segment increased by $15 million and $47 million for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023. The increases in both periods were primarily due to higher expenditures on the ongoing cyclical turbine and generator refurbishment program and concrete rehabilitation work for hydroelectric generating stations across

Ontario. The increase for the nine months ended September 30, 2024 was partially offset by lower expenditures on the Calabogie Hydroelectric GS Redevelopment project, which was placed in service in the second quarter of 2023.

Capital expenditures for the Contracted Hydroelectric and Other Generation business segment decreased by $20 million and $82 million for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023. The decreases in both periods were primarily due to lower expenditures on the Little Long Dam Safety project, as all gates were placed in service in the third quarter of 2023, and lower expenditures on the Smoky Falls Dam Safety project, as two gates were placed in service in the first quarter of 2024.

Capital expenditures for the Atura Power business segment increased by $165 million for the nine months ended September 30, 2024, compared to the same period in 2023. The increase was primarily due to higher expenditures for overhaul activities at existing combined cycle plant facilities, higher expenditures on the development of a battery energy storage system at the Napanee GS site (Napanee BESS) under a capacity agreement with the IESO executed in 2023, expenditures for the expansion of the combined cycle plant at the Napanee GS under a long-term contract with the IESO executed in June 2024, and higher expenditures on the advancement of the Niagara Hydrogen Centre (NHC), a low-carbon hydrogen development project. Capital expenditures for the Atura Power business segment for the three months ended September 30, 2024 were comparable to the same period in 2023.

Capital expenditures within the Other category were comparable to the same periods in 2023.

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

## SIGNIFICANT DEVELOPMENTS

### Project Excellence

Darlington Refurbishment

The refurbishment of Unit 1 of the Darlington GS is currently in the fourth and final major segment, Power Up, and is in the final stages of returning the unit to service in the fourth quarter of 2024, ahead of its original schedule set for the second quarter of 2025. Reactor construction work was completed in August 2024, and start-up activities are in progress. The project is working toward the final regulatory approval from the CNSC, in preparation for Unit 1 to return to full power.

In September 2024, the Darlington Refurbishment project concluded the second major segment of the Unit 4 refurbishment, Disassembly, with the completion of the removal of fuel channel assemblies. The Unit 4 refurbishment has now transitioned into the third major segment, Reassembly, which includes the installation and reassembly of reactor components. The third segment is progressing as planned, with the installation of calandria tubes, fuel channels and lower feeders commenced in the third quarter of 2024. Unit 4 is the last Darlington GS unit to undergo refurbishment and is scheduled to be returned to service in 2026.

The refurbishments of Unit 1 and Unit 4 incorporate the benefits of experience with the Unit 2 and Unit 3 refurbishments, and additional strategic improvements.

The Darlington Refurbishment project is discussed further in the section, *Core Business and Outlook* under the heading, *Project Excellence.*

Darlington New Nuclear Project

OPG continues to advance the DNNP with the goal of deploying Canada's first grid-scale SMR by the end of the decade, using the BWRX-300 reactor plant technology as the selected design. Following the completion of the tunnel boring machine launch shaft retaining wall for the condenser cooling water system in June 2024, the project is continuing to drill for the reactor building shaft retaining wall. The project is also continuing to progress planning and procurement of long-lead items such as the fabrication of the reactor pressure vessel (RPV). The RPV is the core of a nuclear generating station design, acting as the primary pressure vessel and integrated steam generator, providing natural circulation for safe and efficient electricity generation.

OPG's DNNP site preparation licence approved by the CNSC expires in October 2031. In October 2022, OPG submitted the Licence to Construct application to the CNSC for the first SMR at the DNNP site. The first CNSC public hearing took place in January 2024, with the focus on the applicability of the DNNP environmental assessment (EA) to the BWRX-300 technology. In April 2024, the CNSC announced its decision that the existing EA for the DNNP is applicable to the BWRX-300 technology. The CNSC held the first of the two-part second public hearing to consider OPG's Licence to Construct application in October 2024, with the second hearing scheduled for January 2025.

Small modular reactors at the DNNP site are prescribed for rate regulation by the OEB.

Redevelopment of the Kakabeka Falls Hydroelectric Generating Station

In November 2024, OPG initiated the execution phase of a project to redevelop the Kakabeka Falls GS, the second oldest generating station in OPG's Ontario-based fleet, located along the Kaministiquia River in northwestern Ontario. The generating station is approaching the end of its operational life. The project will involve construction of a new powerhouse extension, replacement of the surge system, and replacement of the penstocks to ensure continued safe and reliable operations for approximately an additional 90 years. The redeveloped station is expected to have an increased generating capacity of approximately 27 MW. The project's expected in-service date is in 2028, with a budget of $519 million. The Kakabeka Falls GS is reported in the Regulated – Hydroelectric Generation business segment.

## Operational Excellence

Ontario's Growing Energy Demand and Province's Initiatives to Meet Future Needs

In October 2024, the IESO announced its updated electricity demand forecast, which shows that Ontario's demand for energy is increasing faster than previously anticipated and is set to grow by 75 percent leading up to 2050, with annual consumption rising from 151 TWh in 2025 to 263 TWh in 2050. Following the IESO's announcement, the Province released *Ontario's Affordable Energy Future: The Pressing Case for More Power* document on October 22, 2024, and followed it up with the introduction of the *Affordable Energy Act, 2024* (Bill 214) on October 23, 2024. Together, they outline the Province's vision for meeting the growing demand for energy, which includes an ongoing, significant role for nuclear power.

Power Workers' Union Collective Agreement

The two-year collective agreement between the Power Workers' Union (PWU) and OPG expired on March 31, 2024. The parties reached a tentative renewal agreement on August 7, 2024, which was not ratified by the PWU membership. In October 2024, the parties reached a new tentative renewal agreement, which is subject to a ratification vote by the PWU membership. The PWU bargaining unit represents approximately 50 percent of OPG's workforce.

## Financial Strength

Green Bonds

On September 11, 2024, OPG re-opened the June 2024 dual tranche bond issuances under its Medium Term Note Program for an additional $300 million. The additional green bond issuance consisted of $200 million of senior notes maturing in June 2034, with a coupon interest rate of 4.83 percent, and $100 million of senior notes maturing in June 2054, with a coupon interest rate of 4.99 percent. The net proceeds from the issuance will be used to finance or re-finance Eligible Green Projects as defined under the Sustainable Finance Framework.

President and CEO Announcement

In November 2024, OPG's Board of Directors (Board) announced President and Chief Executive Officer (CEO), Ken Harwick's decision to retire at the end of 2024 after nearly nine years with the Company. In line with OPG's leadership succession plan, the Board has appointed Nicolle Butcher as President and CEO effective January 1, 2025. Under the leadership of Ken Hartwick, OPG achieved strong financial, operational and project performance, and established a solid foundation for growth.

The appointment of Nicolle Butcher reflects the Company's commitment to strong leadership and strategic succession planning. With more than 25 years at OPG, Nicolle Butcher brings in significant experience in managing one of North America's largest and most diverse electricity generating fleets, alongside her expertise in corporate business growth, and development and commercial business functions. This positions OPG to effectively pursue upcoming energy infrastructure projects, including the refurbishment of nuclear and hydroelectric assets, the development of SMRs, and the exploration of new generation opportunities to address Ontario's increasing energy demands. OPG will implement the transitional plan that's in place to ensure a seamless handover of responsibilities. Ken Hartwick will partner with Nicolle Butcher to ensure a smooth transition until the end of the year and be available in 2025 for transitional support.

## CORE BUSINESS AND OUTLOOK

The discussion in this section is qualified in its entirety by the cautionary statements included in the section, *Forward-Looking Statements* at the beginning of the MD&A.

The following sections provide an update to OPG's disclosures in the 2023 annual MD&A related to its four business imperatives – operational excellence, project excellence, financial strength, and social licence. A detailed discussion of these imperatives as part of OPG's corporate strategy is included in the 2023 annual MD&A in the sections, *The Company* and *Core Business and Outlook*

### Operational Excellence

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

Electricity Generation Production and Reliability

*Nuclear Operations*

OPG's plan to optimize the end of operations dates for the Pickering GS includes operating Units 5 to 8 until the end of September 2026, prior to the planned refurbishment, subject to the CNSC's regulatory approvals. In June 2023, OPG submitted an application to the CNSC to continue operations of Units 5 to 8 of the Pickering GS through 2026. In connection with this objective, OPG has continued to perform additional technical analysis and inspections to confirm fitness-for-service of fuel channels and other major station components in support of the station's planned end-of-life dates. Following a public hearing in June 2024, the CNSC announced in October 2024 its decision to amend the existing operating licence for the Pickering GS, authorizing the operation of Units 5 to 8 until the end of 2026.

As planned, Unit 1 of the Pickering GS ceased commercial operation and was taken offline on October 1, 2024 after over 50 years of service. Unit 4 is expected to cease commercial operation in December 2024. Following the end of commercial operation, Units 1 and 4 will be placed in a safe storage state under the existing operating licence for the Pickering GS. This involves defueling the reactors, removing all heavy water, and reconfiguring the station to isolate the units from the operating units at the Pickering GS. These activities must be conducted while meeting nuclear, radiological, industrial safety, and environmental protection standards. On October 2, 2024, OPG commenced the defueling of the Unit 1 reactor. The costs associated with safe storage of Units 1 and 4 are charged against the nuclear fixed asset removal and nuclear waste management liabilities (Nuclear Liabilities) and funded from OPG's nuclear fixed asset and nuclear waste management funds (Nuclear Segregated Funds).

Following OPG's submission of a feasibility assessment as approved by the Board in August 2023, the Province announced its support for OPG proceeding with next steps toward refurbishing Units 5 to 8 at the Pickering GS in January 2024. OPG is now proceeding with certain pre-execution phase activities, which include preliminary engineering work and securing long-lead components. The Board-approved budget for these activities is approximately $2 billion. Planning work is ongoing to determine which refurbishment activities for Units 5 to 8 could be conducted under the existing CNSC operating licence for the Pickering GS, valid until August 31, 2028. Licence amendments and renewals would be sought as required for the remainder of the refurbishment activities.

OPG's power reactor operating licence for the Darlington GS is valid until November 30, 2025. In June 2024, the CNSC announced its decision to amend the operating licence to authorize the production of the cobalt-60 radioisotope. The first harvest of the cobalt-60 radioisotope at the Darlington GS is expected in the second half of this decade. Cobalt-60 radioisotopes are produced mainly for use in the health industry to sterilize surgical and medical supplies. In May 2024, OPG submitted an application to renew the operating licence for the Darlington GS for a period of 30 years beyond November 2025. The two-part public hearing is scheduled to be held by the CNSC in March 2025 and June 2025.

Based on the results of planned inspections of the units at the Darlington GS, OPG has identified that the primary moisture separators, a component of steam generators (SG), require replacement on all units to ensure ongoing safe, reliable and efficient operations throughout the station's extended lifespan. The function of the primary moisture separators is to provide high quality dry steam to the downstream turbine equipment. There are four SGs in each Darlington GS unit and each SG has 104 primary moisture separators. The overall budget for the project to replace the primary moisture separators in the first two SGs at Unit 3 and the replacement of the primary moisture separators at Unit 1 and Unit 4 is $380 million. The replacement of the primary moisture separators in the first two SGs at Unit 3 and for the four SGs at Unit 1 was completed in the third quarter of 2023 and the second quarter of 2024, respectively. The replacement work at Unit 4 is currently progressing as planned and is tracking to the timeline of the project. Life-to-date capital expenditures for the project were $268 million as of September 30, 2024. The scope of work for Unit 2 and the remaining SGs at Unit 3 is planned to be executed under a future project.

On June 6, 2023, the Federal Court of Canada endorsed the CNSC's move to require pre-placement and random alcohol and drug testing of workers in safety-critical positions at high-security nuclear facilities, as mandated by the CNSC regulatory document *REGDOC 2.2.4 – Fitness for Duty, Vol. II: Managing Alcohol and Drug Use (version 3)* (REGDOC 2.2.4) issued in November 2020. On July 11, 2023, the PWU and the Society of United Professionals (Society) filed a motion to appeal the Federal Court's June 6, 2023 decision, and a motion to stay the implementation of the pre-placement and random alcohol and drug testing regimes pending the outcome of the appeal. On October 27, 2023, the stay motion was granted and all licensees were restricted from implementing such testing pending the final disposition of the appeal, which was heard in January 2024. On November 6, 2024, the Federal Court of Appeal upheld the Federal Court ruling on the validity of the pre-placement and random alcohol and drug testing requirements imposed by REGDOC 2.2.4 for workers holding safety-critical positions at high-security nuclear facilities.

*Renewable Generation Operations*

OPG continues to progress on an ongoing refurbishment program for its hydroelectric generating units in Ontario. As part of the program, OPG is advancing pre-execution activities for the refurbishment program planned for 19 generating units at the Sir Adam Beck I and II generating stations to ensure the continued supply of clean, reliable and cost-effective generation to help meet Ontario's energy needs. The work scope involves refurbishment or replacement of activities on turbines, generators, control systems, and transformers. During the third quarter of 2024, OPG continued the planning and design work for units G19 and G20 at the Sir Adam Beck II GS. In November 2024, OPG initiated the execution phase of the refurbishment of the first of the 19 units, unit G4 at the Sir Adam Beck I GS.

*Thermal Operations*

OPG's thermal generation fleet comprises one oil/gas dual-fueled generating station, one biomass-fueled generating station, and four combined cycle plants operated through Atura Power.

In September 2024, OPG and the IESO entered into an amended and restated ESA for the Atikokan GS, extending the contract expiry to July 2029. The extension allows the facility to continue providing renewable power for Ontario's electricity grid using biomass fuel. Atikokan GS is the largest 100 percent biomass-fueled plant in North America, providing renewable energy that can be dispatched when Ontario's power system requires it.

Atura Power's Brighton Beach GS operated under an energy conversion agreement with Shell Energy North America (Canada) Inc. until July 15, 2024. Effective July 16, 2024, the facility operates under a new ESA with the IESO for a term of 10 years.

Collective Agreements

Construction work in Ontario is performed through craft unions with established bargaining rights at OPG facilities. These bargaining rights are established either through the Electrical Power Systems Construction Association (EPSCA) or directly with OPG or its wholly-owned subsidiaries. The associated collective agreements are negotiated either directly between the parties or through the EPSCA, as applicable. One such agreement expired on April 30, 2023 and was renewed in March 2024 for a two-year term, covering the period from May 1, 2023 to April 30, 2025.

## Project Excellence

OPG is undertaking a number of generation development and other projects to maximize the value of and expand its generating fleet in support of Ontario's electricity system, striving for excellence in the planning and delivery of all capital and maintenance projects across the organization. The status updates for OPG's major projects are outlined below.

| **Project** *(millions of dollars)* | **Capital Expenditures Year-to-date** | **Capital Expenditures Life-to-date** | **Approved Budget** | **Expected In-service Date** | **Current Status** |
|---|---|---|---|---|---|
| Darlington Refurbishment | 748 | 10,951 | 12,800 [1] | Unit 1 — 2024<br>Unit 4 — 2026 | Unit 1 refurbishment is currently in the Power Up segment and is expected to be returned to service in the fourth quarter of 2024, ahead of its original schedule. Unit 4 refurbishment is progressing on schedule and is currently in the Reassembly segment. The project is tracking to the overall timeline to refurbish all four of the station's units by the end of 2026. For further details, see below. |
| Smoky Falls Dam Safety Project | 63 | 302 | 390 | 2024 | Following the removal of the west sluiceway superstructure and gates, concrete closure of the west sluiceway was successfully completed during the third quarter of 2024. Major construction work is expected to be completed by the end of 2024 and within the approved budget. |
| Atura Power Development Projects | 118 | 200 | 1,500 [2] | Niagara Hydrogen Centre – 2026<br>Napanee BESS – 2026<br>Napanee Generating Station Expansion Project – 2028 | The NHC project continues to advance additional groundwork and permitting activities, with all environmental approvals secured. The project is expected to be in service in 2026.<br><br>The Napanee BESS project continues to advance engineering activities to support on-site construction and is progressing on schedule.<br><br>Engineering and design activities along with procurement of critical equipment are progressing on schedule for the Napanee GS Expansion project.<br><br>These projects are tracking within the total approved budget. |

1 The total project budget of $12.8 billion is for the refurbishment of all four units at the Darlington GS.
2 The total project budget of approximately $1.5 billion is for the Niagara Hydrogen Centre, the Napanee BESS and the Napanee GS Expansion projects.

Darlington Refurbishment

The Darlington Refurbishment project commenced in 2016 as the four Darlington GS units were approaching their originally designed end-of-life. Refurbishment of the four generating units is expected to extend the operating life of the station by at least 30 years. The refurbishment of the first unit, Unit 2, was completed in June 2020. The refurbishment of the second unit, Unit 3, was completed in July 2023, ahead of schedule. The third unit, Unit 1, commenced refurbishment in February 2022 and is expected to be returned to service in the fourth quarter of 2024, ahead of its original schedule set for the second quarter of 2025. The refurbishment of the last unit, Unit 4, commenced after Unit 3 was returned to service and is scheduled to be completed by the end of 2026.

The final major segment of the Unit 1 refurbishment commenced in May 2024 and is currently underway. Reactor construction work, reconnection of Unit 1 to station containment, and vault restoration work have been completed, leading to unit start-up activities in September 2024. Following the CNSC's approval to proceed with the removal of the Unit 1 Guaranteed Shutdown State in September 2024, OPG received the approval from the CNSC to increase reactor power above one percent of full power up to 35 percent of full power in October 2024. The project is working toward the final regulatory approval from the CNSC, in preparation for Unit 1 to return to full power.

Unit 4 refurbishment activities are progressing on schedule and are currently in the third major segment, Reassembly, which involves the installation and reassembly of reactor components, including new feeder tubes and fuel channel assemblies. The calandria tube installation series followed by the fuel channel installation series is planned to be completed in the second half of 2025. The upper and middle feeder installation series are also continuing, with the installation of 960 new feeder tubes being completed in two segments, starting with the upper and middle feeders and followed by the lower feeders. As part of the refurbishment, OPG continues to progress through the reconditioning of the Unit 4 turbine generator, with the overhaul of the turbine generator and the installation of the turbine control systems upgrade expected to be completed in the second half of 2025.

OPG continues to assess and seek ways to manage the impact of the COVID-19 pandemic on the project's total cost, which is otherwise continuing to track to the $12.8 billion budget.

## Financial Strength

As a commercial enterprise, OPG's financial priority is to ensure a consistent level of strong financial performance that delivers an appropriate level of return on the Shareholder's investment and supports expansion of the business.

Increasing Revenue, Reducing Costs and Achieving Appropriate Return

In line with its commercial mandate, OPG is focused on increasing revenue and net income, and achieving an appropriate return on the Shareholder's investment, while seeking to minimize the impact on electricity customers through continuous improvement in the Company's cost structure.

For regulated operations, achievement of the above objectives is largely dependent on outcomes of OPG's applications for regulated prices to the OEB and prudent growth of rate base earning a return. Rate base for OPG represents the average net level of investment in regulated fixed and intangible assets in service and an allowance for working capital. OPG is focused on demonstrating in its applications for regulated prices that the costs required to operate and invest in the Company's regulated assets are reasonable and being prudently incurred and should be fully recovered, and that the Shareholder's investment in these assets should earn an appropriate return. For further information on OEB-approved rate base levels, refer to OPG's 2023 annual MD&A in the section, *Revenue Mechanisms for Regulated and Non-Regulated Generation*.

The following table presents the OEB-authorized regulated prices for electricity generated from OPG's regulated facilities in Ontario for the period from January 1, 2023 to December 31, 2026 in effect as of the date of this MD&A:

| *($/MWh)* | **2023** | **2024** | **2025** | **2026** |
|---|---|---|---|---|
| **Regulated – Nuclear Generation** | | | | |
| Base regulated price [1] | 107.79 | **103.48** | 102.85 | 111.33 |
| Deferral and variance account rate riders [2] | 1.25 | **4.28** | 8.76 | 12.43 |
| Total regulated price | 109.04 | **107.76** | 111.61 | 123.76 |
| **Regulated – Hydroelectric Generation** | | | | |
| Base regulated price | 43.88 | **43.88** | 43.88 | 43.88 |
| Deferral and variance account rate riders [2] | 1.03 | **3.64** | 3.30 | 3.30 |
| Total regulated price | 44.91 | **47.52** | 47.18 | 47.18 |

[1] Base regulated prices for the nuclear facilities were established using a rate smoothing approach that defers a portion of each year's approved nuclear revenue requirement for future collection in the Rate Smoothing Deferral Account. Base regulated prices for the nuclear facilities do not include amounts deferred in the Rate Smoothing Deferral Account.

[2] Deferral and variance account riders reflect the OEB's January 2022 payment amounts order that authorized recovery and repayment of balances recorded in regulatory accounts as at December 31, 2019, and, effective July 2024, the OEB's June 2024 decision and order that authorized recovery and repayment of balances recorded in regulatory accounts as at December 31, 2022.

The nuclear base regulated prices in effect for the period from January 1, 2022 to December 31, 2026 were established by the payment amounts order issued by the OEB in January 2022 reflecting the OEB's decisions on OPG's 2022-2026 rate application issued during the second half of 2021.

Pursuant to *Ontario Regulation 53/05*, the base regulated price for OPG's hydroelectric electricity generation (hydroelectric base regulated price) for the period from January 1, 2022 to December 31, 2026 has been set equal to the 2021 hydroelectric base regulated price.

In June 2024, the OEB issued a decision and order approving the proposed complete settlement reached by OPG and intervenors on OPG's application requesting disposition of regulatory account balances as at December 31, 2022, which provides for recovery of a net of $481 million in connection with such balances through incremental rate riders on nuclear and regulated hydroelectric electricity generation over a period of 30 months beginning on July 1, 2024.

For generation assets that do not form part of the rate regulated operations, OPG generally seeks to secure long-term revenue arrangements that support an appropriate return on the investment. In line with this strategy, all of OPG's non-regulated generating facilities in Ontario are subject to ESAs with the IESO.

<u>Ensuring Availability of Cost Effective Funding</u>

OPG actively monitors its funding requirements and forecasts availability of funds to ensure that it can meet the Company's operational needs, project and other commitments, and long-term obligations. In addition to funds generated from operations, OPG utilizes the following primary funding sources: commercial paper; letters of credit; credit facilities; public debt offerings; long-term debt sourced from the Ontario Electricity Financial Corporation (OEFC), an agency of the Province; and private placement and other project financing arrangements.

The Company's financing strategy leverages and optimizes the strength of its balance sheet to obtain cost effective long-term corporate debt. OPG also accesses the capital markets for private placement project financing, secured by the assets of the project, where the characteristics of the project support such financing.

*Credit Ratings*

Maintaining an investment grade credit rating supports OPG's ability to access cost effective financing. As at September 30, 2024, the Company's credit ratings were as follows:

| Type of Rating | DBRS Limited (DBRS) [1] | S&P Global Ratings (S&P) [2] | Moody's Investors Service (Moody's) [3] |
|---|---|---|---|
| Issuer rating | A (low) | BBB+ | A3 |
| Senior unsecured debt | A (low) | BBB+ | A3 |
| Trend/Outlook | Stable | Stable | Stable |
| Commercial paper program – Canada | R-1 (low) | A-1 (low) | NR [4] |
| Commercial paper program – US | NR [4] | A-2 | P-2 |

[1] In April 2024, DBRS confirmed OPG's A (low) issuer rating, A (low) senior unsecured debt rating and R-1 (low) Canadian commercial paper rating, all with Stable trends.
[2] In August 2024, S&P confirmed OPG's ratings including BBB+ issuer rating with stable outlook, BBB+ senior unsecured debt rating and A-1 (low) Canada commercial paper rating.
[3] In May 2024, Moody's confirmed OPG's A3 issuer rating with stable outlook, A3 senior unsecured debt rating and P-2 US commercial paper rating.
[4] NR indicates no rating assigned.

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

*Federal Clean Energy Investment Tax Credits*

In March 2023, the Canadian federal government announced certain refundable investment tax credits for clean energy investments. The Clean Technology Investment Tax Credit (CTITC) and the Clean Hydrogen Investment Tax Credit (CHITC) were enacted during the second quarter of 2024. The CTITC provides a 30 percent refundable tax credit and the CHITC provides a refundable tax credit ranging from 15 percent to 40 percent depending on the carbon intensity of the project, and both credits are available to federally taxable entities. If certain labour conditions are not met, these refundable credits are reduced by 10 percent. OPG's federally taxable entities making eligible investments are expected to qualify for the CTITC and the CHITC.

Draft legislation for the Clean Electricity Investment Tax Credit (CEITC), which provides a 15 percent refundable tax credit for federally tax exempt entities including OPG, was published in August 2024. Certain OPG projects are expected to qualify for the CEITC. The Company continues to monitor the CEITC developments.

Growth and Transformation

OPG strives to be a leader in the North American transition toward a low-carbon economy, while maintaining and expanding the Company's scale and energy industry leadership through the pursuit of commercial-based opportunities. This strategy considers the Company's financial position, anticipated future changes in the generating fleet, and the evolving external environment in which it operates. The strategy is also informed by industry, technological, environmental, social, and economic factors. Opportunities are evaluated on an ongoing basis using financial and risk-based analyses as well as the application of strategic considerations, including the evaluation of potential partnership opportunities with other entities where aligned with OPG's business objectives.

*Global First Power Partnership Divestiture*

In August 2024, OPG executed a separation agreement under which OPG divested its interest in Global First Power Limited and Global First Power Limited Partnership to USNC-Power, Ltd.

### Social Licence

OPG holds itself accountable to the public and its employees, and continues to focus on maintaining public trust. OPG is committed to maintaining high standards of public health and safety and corporate citizenship, including environmental stewardship, transparency, community engagement and Indigenous relations. The Company also strives to be a leader in climate change action, equity, diversity and inclusion (ED&I) practices, and in advancing reconciliation with Indigenous peoples.

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

## Outlook

<u>Operating Performance</u>

OPG expects net income for the 2024 year to be lower than 2023, primarily due to lower nuclear electricity generation and higher OM&A expenses anticipated in 2024 from fewer planned outage days in the cyclical maintenance schedule for the Darlington GS during the first half of 2023, the cessation of commercial operations of Units 1 and 4 of the Pickering GS by the end of 2024, and a lower nuclear base regulated price in effect for 2024. Other factors contributing to the decrease include a loss recorded in the second quarter of 2024 in connection with the OEB's decision and order on the Settlement Agreement and gains recognized in 2023 related to the release of a contingent liability under a 2021 settlement agreement related to an acquisition of combined cycle plants and the sale of certain premises located at 800 Kipling Avenue, Toronto, Ontario. The decrease is expected to be partially offset by the anticipated return to service of Unit 1 of the Darlington GS from refurbishment in the fourth quarter of 2024.

The Company's operating results in 2024 may be impacted by macro-economic factors and global events, as discussed further in the 2023 annual MD&A, in the section, *Risk Management.*

*Nuclear Segregated Funds*

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

As at September 30, 2024, the Decommissioning Segregated Fund was overfunded by approximately 45 percent and the Used Fuel Segregated Fund was overfunded by approximately 10 percent based on the approved ONFA reference plan in effect for the years 2022 to 2026.

<u>Capital Expenditures</u>

As at September 30, 2024, OPG's capital expenditures for the year 2024 were forecasted to be approximately $1.5 billion lower than the $5.7 billion disclosed in the 2023 annual MD&A. The outlook for 2024, which was higher than the $2.8 billion in capital expenditures in 2023, included anticipated expenditures for major projects such as the planned refurbishment of Units 5 to 8 of the Pickering GS and the DNNP. The lower forecasted capital expenditure trend for 2024 is mainly due to changes in timing associated with pre-execution phase activities for the planned refurbishment of Units 5 to 8 of the Pickering GS and the DNNP, as well as the strong project performance associated with the refurbishment of Unit 1 of the Darlington GS reflecting its expected return to service in the fourth quarter of 2024, ahead of the original schedule.

Further details on OPG's outlook can be found in OPG's 2023 annual MD&A in the section, *Core Business and Outlook* under the heading, *Outlook*.

## ENVIRONMENTAL, SOCIAL, GOVERNANCE AND SUSTAINABILITY

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

### Environmental

In March 2022, the Canadian government began consultations to develop Clean Electricity Regulations (CER) to support the goal of transitioning to net-zero carbon emissions from electricity generation by 2035. In August 2023, Environment and Climate Change Canada (ECCC) released draft CER for comment. As proposed, the CER would establish a performance standard to reduce emissions from thermal generating units beginning in 2035, with some exceptions to support electricity reliability and affordability. In February 2024, ECCC released a public update recognizing the feedback received from submissions through the consultation process. OPG has engaged in the consultation process and is recommending adjustments to the draft CER, with a view to better enable Ontario's low-carbon electricity system to support economy-wide electrification, while ensuring system reliability and affordability. Final regulations are expected to be announced by the end of 2024.

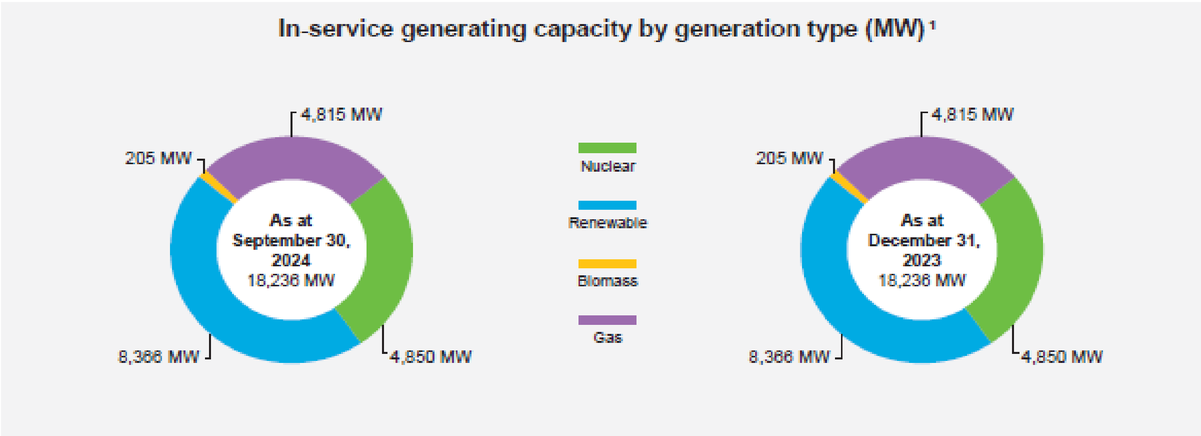
### Climate Change

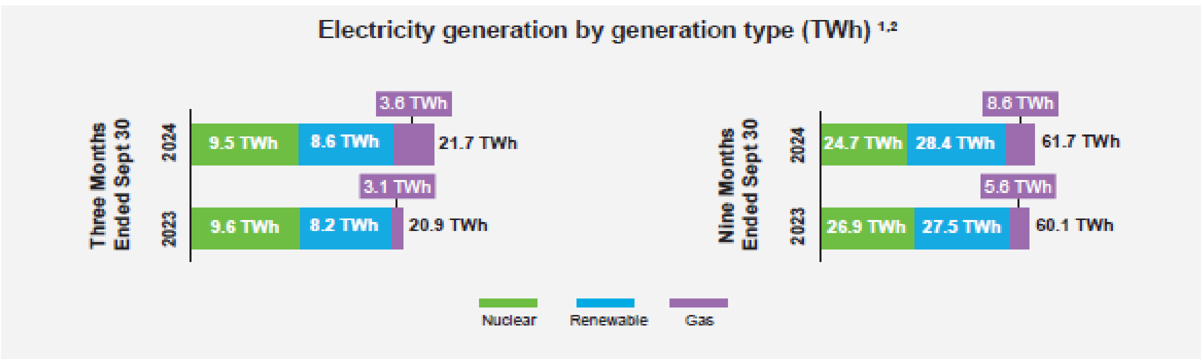
Since the launch of its Climate Change Plan in 2020, OPG has made advancements in a number of areas with the objective of achieving sustainable, resilient operations and to invest in the generation of low-carbon energy. This includes progressing the Darlington Refurbishment project, leading the deployments of SMRs, and safely maximizing the operating life and planning for the refurbishment of Units 5 to 8 of the Pickering GS. OPG also continues to advance projects to increase and sustain the generating capacity of its hydroelectric generating stations and is exploring the potential for new hydroelectric development. Through its subsidiaries, OPG is supporting the electrification of Ontario's transportation sector, laying the groundwork for low-carbon hydrogen production, and constructing a grid-connected battery energy storage system. OPG intends to periodically review and update the Climate Change Plan to reflect the Company's current climate-related initiatives and any changes to government policy, technology development and best practices.

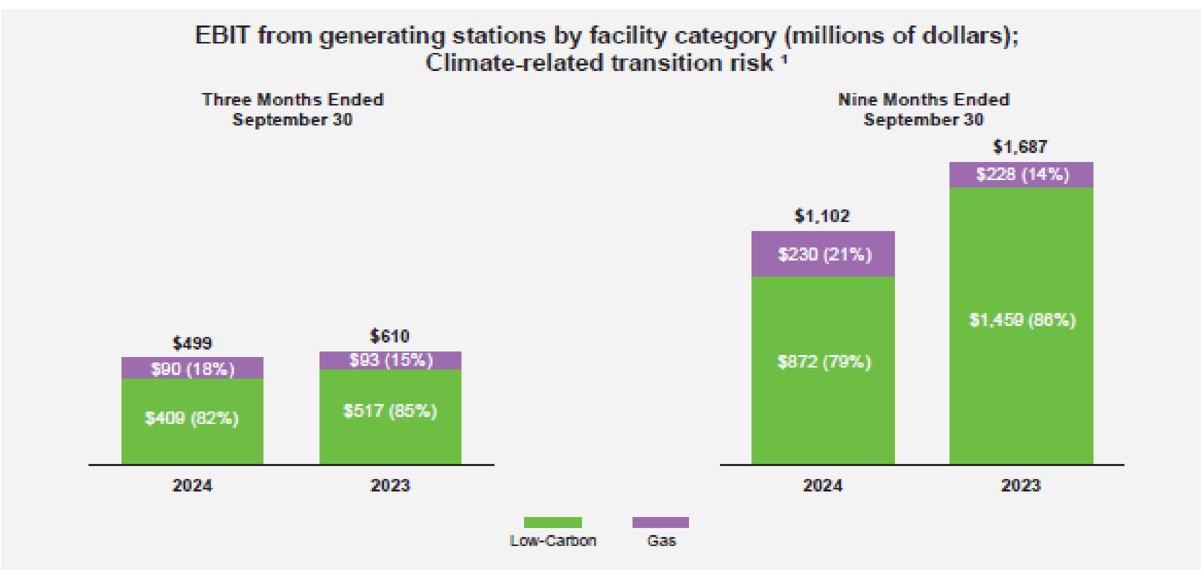
#### Climate-Related Performance and Key Metrics

OPG continues to determine the most relevant climate-related impacts for the business in the context of its ESG and Sustainability framework and is engaged in aligning with industry metrics. OPG is in the process of developing such quantitative metrics and targets for climate change as part of an effort to integrate climate considerations into business processes. In the meantime, OPG has identified certain initial metrics that it considers relevant to stakeholders, as outlined below:

## Climate Change Metrics




1 Includes OPG's proportionate share of in-service generating capacity and electricity generation from co-owned and minority-held facilities. Nuclear generating units undergoing refurbishment are excluded. Gas category includes the dual-fueled Lennox GS and the Company's combined cycle plants operated through Atura Power.

2 Electricity generated from the Biomass category for the nine months ended September 30, 2024 represents 0.06 TWh (September 30, 2023 – 0.09 TWh).

| **Climate Change Metrics** | |
|---|---|
| *In-service generating capacity by generation type* [1] | In-service generating capacity from low-carbon emitting and gas generation sources as at September 30, 2024 is the same as at December 31, 2023. Low-carbon sources continue to account for the majority of OPG's total in-service generating capacity. |
| *Electricity generation by generation type* [2] | OPG's total electricity generation supplied by low-carbon sources for the three and nine month periods ended September 30, 2024 was approximately 83 and 86 percent, respectively, compared to approximately 85 and 91 percent during the same periods in 2023. The decreases in the percentage of generation from low-carbon sources in both periods were primarily due to lower electricity generation from the Darlington GS due to a planned cyclical maintenance outage on Unit 2 and from an increase in electricity generation from the Atura Power business segment due to higher demand for electricity generation from the combined cycle plants. |
| *EBIT from generating stations by facility category; Climate-related transition risk* [3] | Earnings before interest and income taxes from low-carbon electricity generation decreased during the three and nine month periods ended September 30, 2024, compared to the same periods in 2023, primarily due to planned outage activities within the Regulated – Nuclear Generation business segment and a lower nuclear base regulated price in effect during 2024. For further details, refer to the section, *Discussion of Operating Results by Business Segment* under the heading, *Regulated – Nuclear Generation Segment*. |

[1] Identifies capacity available from OPG's different generation sources and tracks low-carbon energy capacity relative to other sources. Nuclear, Renewable (which includes hydroelectric and solar) and Biomass (which uses wood pellets from sustainably managed forests) generation are considered to be low-carbon emitting generation sources.

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

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

## Equity, Diversity and Inclusion

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

With the support of its employees, host communities and business partners, the Company continues to advance its ED&I Strategy and priorities to accelerate equity, celebrate diversity, and foster a culture of inclusion. During the third quarter of 2024, OPG completed a benchmarking exercise of its employee resource groups to better understand best practices and identify opportunities to enhance engagement and effectiveness of these structures. Employee resource groups play a vital role in fostering an equitable, diverse and inclusive workplace at OPG, and support the Company's ED&I Strategy. OPG's ED&I Strategy can be found on the Company's website www.opg.com.

## Indigenous Relations

OPG owns and operates electricity generation assets within the treaty and traditional territories of Indigenous Nations across Ontario. OPG's Indigenous Relations Policy and Reconciliation Action Plan formalize the Company's commitment to working with Indigenous Nations and communities to foster positive and mutually beneficial relationships that will create social and economic benefits through partnership and collaboration. OPG seeks to establish these relationships based on a foundation of respect, transparency and mutual responsibility. OPG's commitment in the area of Indigenous relations includes, where appropriate, pursuing generation-related development partnerships on the basis of long-term commercial arrangements and other joint projects proximate to the Company's present and future operations. OPG maintains a certified Gold Designation under the Canadian Council for Indigenous Business (CCIB) Partnership Accreditation in Indigenous Relations program which recognizes OPG as a national best-practices organization with a demonstrated commitment in the area of Indigenous relations, and which was renewed and reaffirmed in the third quarter of 2024. In July 2024, OPG updated its Reconciliation Action Plan, which builds on prior commitments and can be found on the Company's website www.opg.com.

## DISCUSSION OF OPERATING RESULTS BY BUSINESS SEGMENT

### Regulated – Nuclear Generation Segment

| (millions of dollars – except where noted) | Three Months Ended September 30 2024 | Three Months Ended September 30 2023 | Nine Months Ended September 30 2024 | Nine Months Ended September 30 2023 |
|---|---|---|---|---|
| *Electricity Generation (TWh)* | **9.5** | 9.6 | **24.7** | 26.9 |
| Revenue | **1,077** | 1,100 | **2,857** | 3,179 |
| Fuel expense | **72** | 71 | **216** | 205 |
| Gross margin | **1,005** | 1,029 | **2,641** | 2,974 |
| Operations, maintenance and administration expenses | **580** | 546 | **1,877** | 1,774 |
| Property taxes | **6** | 6 | **19** | 18 |
| Other losses | **2** | - | **6** | - |
| Earnings before interest, income taxes, depreciation and amortization | **417** | 477 | **739** | 1,182 |
| Depreciation and amortization expenses | **176** | 125 | **494** | 385 |
| Earnings before interest and income taxes | **241** | 352 | **245** | 797 |

Earnings before interest and income taxes from the segment decreased by $111 million and $552 million for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023.

The decrease in segment earnings during the three months ended September 30, 2024, compared to the same period in 2023, was largely due to higher OM&A expenses of $34 million and higher depreciation and amortization expenses of $33 million, excluding amortization expense related to the recovery and repayment of OEB-authorized regulatory account balances. The higher OM&A expenses were primarily due to lower amounts of OM&A expenses recorded as recoverable from customers through regulatory accounts and higher expenditures related to the cyclical maintenance activities and other planned maintenance work executed at the Darlington GS. Lower revenue of $27 million from a lower OEB-approved nuclear base regulated price in effect during 2024 and lower amounts deferred in the Rate Smoothing Deferral Account of $16 million also contributed to the lower earnings.

The decrease in segment earnings during the nine months ended September 30, 2024, compared to the same period in 2023, was largely due to lower revenue of $229 million driven by lower electricity generation of 2.2 TWh and a decrease in revenue of $94 million from a lower OEB-approved nuclear base regulated price in effect during 2024. The decrease in earnings was also from higher OM&A expenses of $103 million, largely due to higher expenditures related to the cyclical maintenance activities and other planned maintenance work executed as a result of higher planned outage days at the Darlington GS, partially offset by lower expenses due to fewer planned outage days at the Pickering GS. Lower amounts deferred in the Rate Smoothing Deferral Account of $48 million also contributed to the lower earnings. The decrease in segment earnings was partially offset by a higher amount of $37 million recorded as recoverable from customers in the Pickering B Extension Variance Account in connection with forgone electricity generation due to activities associated with the extension of commercial operation of Units 5 to 8 of the Pickering GS to September 2026, prior to the planned refurbishment.

The higher depreciation and amortization expenses for the three and nine month periods ended September 30, 2024, excluding amortization expense related to the recovery and repayment of OEB-authorized regulatory account balances, compared to the same periods in 2023, were due to lower amounts of depreciation expense recorded as recoverable from customers through regulatory accounts. Such higher depreciation and amortization expenses for the nine months ended September 30, 2024, compared to the same period in 2023, were also largely due to higher depreciation expenses recognized from placing capital in service, including the return to service of Unit 3 of the Darlington GS following refurbishment in July 2023.

An increase in revenue for the three and nine month periods ended September 30, 2024 reflecting the impact of the new rate riders for disposition of regulatory accounts under the OEB's June 2024 decision and order approving the Settlement Agreement, effective July 1, 2024, was largely offset by a corresponding increase in the amortization expense of regulatory assets and regulatory liabilities recorded for regulatory account balances.

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Planned Outage Days | | | | |
| Darlington GS [1] | **4.3** | 3.9 | **105.2** | 3.9 |
| Pickering GS | **32.2** | 24.9 | **226.7** | 276.5 |
| Unplanned Outage Days | | | | |
| Darlington GS [1] | **12.0** | 19.3 | **40.8** | 20.5 |
| Pickering GS | **25.5** | 38.0 | **74.3** | 71.9 |

[1] The planned and unplanned outage days exclude unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 3 of the Darlington GS was excluded from the reported planned and unplanned outage days during its refurbishment period of September 3, 2020 to July 17, 2023, and Unit 1 and Unit 4 of the Darlington GS have been excluded from the measure since commencing refurbishment on February 15, 2022 and July 19, 2023, respectively.

The higher planned outage days at the Darlington GS for the nine months ended September 30, 2024, compared to the same period in 2023, were driven by the impact of the station's cyclical maintenance schedule and other planned maintenance work executed on Unit 2 in the first half of the year. Planned outage days at the Darlington GS for the three months ended September 30, 2024 were comparable to the same period in 2023.

The higher planned outage days at the Pickering GS during the three months ended September 30, 2024, compared to the same period in 2023, were primarily due to planned maintenance and inspection work executed at the station. The lower planned outages at the station during the nine months ended September 30, 2024, compared to the same period in 2023, were driven by the impact of the station's cyclical maintenance schedule and other planned maintenance work executed at the station in 2023.

The lower unplanned outages days at the Darlington GS for the three months ended September 30, 2024, compared to the same period in 2023, were largely due to pressurizer system repair work executed during the third quarter of 2023. The higher unplanned outages days at the Darlington GS for the nine months ended September 30, 2024, compared to the same period in 2023, were primarily driven by the steam generator repair activities on Unit 3 during the first half of 2024.

The lower unplanned outage days at the Pickering GS for the three months ended September 30, 2024, compared to the same period in 2023, were primarily due to boiler and output transformer maintenance activities in the third quarter of 2023. The higher unplanned outage days at the Pickering GS for the nine months ended September 30, 2024, compared to the same period in 2023, were primarily due to non-routine maintenance work and fueling machine recovery activities executed at the station.

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Unit Capability Factor *(%)* [1, 2] | | | | |
| Darlington GS | **94.8** | 93.0 | **74.8** | 97.5 |
| Pickering GS | **91.5** | 91.0 | **82.9** | 80.1 |

[1] Nuclear Unit Capability Factor excludes unit(s) during the period in which they are undergoing refurbishment.
[2] Nuclear Unit Capability Factor is defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

The Unit Capability Factor at Darlington GS increased for the three months ended September 30, 2024, compared to the same period in 2023, due to fewer unplanned outage days. The Unit Capability Factor at Darlington GS decreased for the nine months ended September 30, 2024, compared to the same period in 2023, due to a higher number of planned and unplanned outage days. The higher Unit Capability Factor at the Pickering GS for the nine months ended September 30, 2024, compared to the same period in 2023, was primarily due to fewer planned outage days, partially offset by a higher number of unplanned outage days. The Unit Capacity Factor at the Pickering GS for the three months ended September 30, 2024 was comparable to the same period in 2023.

### Regulated – Nuclear Sustainability Services Segment

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *(millions of dollars – except where noted)* | 2024 | 2023 | 2024 | 2023 |
| Revenue | **54** | 50 | **134** | 171 |
| Operations, maintenance and administration expenses | **54** | 50 | **134** | 171 |
| Accretion on nuclear fixed asset removal and nuclear waste management liabilities | **301** | 293 | **906** | 876 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | **(277)** | (267) | **(822)** | (789) |
| Loss before interest and income taxes | **(24)** | (26) | **(84)** | (87) |

The segment loss before interest and income taxes decreased by $2 million and $3 million for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023. The decreases for both periods were primarily due to higher earnings on the Nuclear Segregated Funds, largely offset by higher accretion expense on the Nuclear Liabilities. The higher accretion expense on the Nuclear Liabilities was due to the increase in the present value of the underlying obligation to reflect the passage of time.

The higher earnings from the Nuclear Segregated Funds were primarily due to the growth in the present value of the underlying funding liabilities per the approved ONFA reference plan in effect. As both the Decommissioning Segregated Fund and the Used Fuel Segregated Fund were in an overfunded position during the three and nine month periods ended September 30, 2024, and during the same periods in 2023, they were not impacted by market returns or the rate of return guarantee provided by the Province for a portion of the Used Fuel Segregated Fund. When both funds are in an overfunded position, OPG limits the amount of Nuclear Segregated Funds assets reported on the consolidated balance sheet to the present value of the underlying funding liabilities per the approved ONFA reference plan in effect. Further details on the accounting for the Nuclear Segregated Funds can be found in OPG's 2023 annual MD&A in the section, *Critical Accounting Policies and Estimates* under the heading, *Nuclear Fixed Asset Removal and Nuclear Waste Management Funds.*

## Regulated – Hydroelectric Generation Segment

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *(millions of dollars – except where noted)* | **2024** | **2023** | **2024** | **2023** |
| *Electricity generation (TWh)* | **7.8** | 7.3 | **24.6** | 23.6 |
| Revenue [1] | **373** | 343 | **1,160** | 1,120 |
| Fuel expense | **83** | 86 | **241** | 238 |
| Gross margin | **290** | 257 | **919** | 882 |
| Operations, maintenance and administration expenses | **102** | 98 | **306** | 288 |
| Property taxes | **-** | - | **1** | - |
| Other losses | **1** | 3 | **6** | 6 |
| Earnings before interest, income taxes, depreciation and amortization | **187** | 156 | **606** | 588 |
| Depreciation and amortization expenses | **67** | 45 | **160** | 135 |
| Earnings before interest and income taxes | **120** | 111 | **446** | 453 |

[1] During the three and nine month periods ended September 30, 2024, the Regulated – Hydroelectric Generation business segment revenue included incentive payments of $11 million and $20 million, respectively, related to the OEB-approved hydroelectric incentive mechanism (three and nine month periods ended September 30, 2023 – incentive payments of $10 million and $14 million, respectively). The mechanism provides a pricing incentive to OPG to shift hydroelectric production from lower market price periods to higher market price periods, reducing the overall costs to customers. The incentive payments are reduced to remove incentive revenues arising in connection with SBG conditions.

Earnings before interest and income taxes from the segment increased by $9 million for the three months ended September 30, 2024, compared to the same period in 2023. The increase in earnings was mainly due to the impact of higher market prices on congestion management revenues.

Earnings before interest and income taxes from the segment decreased by $7 million for the nine months ended September 30, 2024, compared to the same period in 2023. The decrease was mainly due to higher OM&A expenses, driven mainly by increased planned maintenance activities. The decrease in earnings was partially offset by higher revenue resulting from higher hydroelectric incentive mechanism payments.

An increase in revenue for the three and nine month periods ended September 30, 2024 reflecting the impact of the new rate riders for disposition of regulatory accounts under the OEB's June 2024 decision and order approving the Settlement Agreement, effective July 1, 2024, was largely offset by a corresponding increase in the amortization expense of regulatory assets and regulatory liabilities recorded for regulatory account balances.

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Hydroelectric Availability *(%)* [1] | **81.5** | 83.7 | **86.3** | 87.4 |

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

The Hydroelectric Availability decreased for the three and nine month periods ended September 30, 2024, compared to the same periods in 2023, primarily due to higher unplanned outages across the regulated hydroelectric fleet.

### Contracted Hydroelectric and Other Generation Segment

| *(millions of dollars – except where noted)* | Three Months Ended September 30 2024 | Three Months Ended September 30 2023 | Nine Months Ended September 30 2024 | Nine Months Ended September 30 2023 |
|---|---|---|---|---|
| *Electricity generation (TWh)* | **0.8** | 0.9 | **3.8** | 4.0 |
| Revenue | **187** | 187 | **609** | 610 |
| Fuel expense | **14** | 17 | **40** | 45 |
| Gross margin | **173** | 170 | **569** | 565 |
| Operations, maintenance and administration expenses | **72** | 59 | **223** | 199 |
| Accretion on fixed asset removal liabilities | **2** | 2 | **6** | 6 |
| Property taxes | **5** | 7 | **14** | 15 |
| Other gains | **(1)** | - | **(5)** | (3) |
| Earnings before interest, income taxes, depreciation and amortization | **95** | 102 | **331** | 348 |
| Depreciation and amortization expenses | **41** | 42 | **134** | 123 |
| Earnings before interest and income taxes | **54** | 60 | **197** | 225 |

Earnings before interest and income taxes from the segment decreased by $6 million and $28 million for the three and nine month periods ended September 30, 2024, respectively, compared to the same periods in 2023.

The decreases for both periods were primarily due to lower earnings from the US operations, mainly driven by higher OM&A expenses. For the nine months ended September 30, 2024, compared to the same period in 2023, the decrease was also due to higher depreciation and amortization expenses, driven mainly by a depreciation adjustment recorded during the second quarter of 2024 in relation to the reclassification of certain US-based hydroelectric facilities from being held for sale to property, plant and equipment and intangible assets, following the termination of previously entered agreements to sell these facilities.

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

| | Three Months Ended September 30 2024 | Three Months Ended September 30 2023 | Nine Months Ended September 30 2024 | Nine Months Ended September 30 2023 |
|---|---|---|---|---|
| Hydroelectric Availability *(%)* [1, 2] | **79.0** | 84.8 | **82.4** | 89.3 |
| Thermal EFOR *(%)* [2] | **6.6** | 0.3 | **2.8** | 2.3 |

1 Hydroelectric Availability reflects the Company's hydroelectric generating stations in Ontario and the United States.
2 Hydroelectric Availability and Thermal EFOR are defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*.

The Hydroelectric Availability decreased for the three and nine month periods ended September 30, 2024, compared to the same periods in 2023, primarily due to higher number of planned outage days at the Ontario-based Lower Mattagami hydroelectric generating stations.

The Thermal EFOR increased for the three and nine month periods ended September 30, 2024, compared to the same periods in 2023. The increase for the three months ended September 30, 2024, compared to the same period in 2023, was primarily due to higher unplanned outages at the Atikokan GS. For the nine months ended September 30, 2024, the increase was due to higher unplanned outages at the Lennox GS.

### Atura Power Segment

| (millions of dollars – except where noted) | Three Months Ended September 30 2024 | 2023 | Nine Months Ended September 30 2024 | 2023 |
|---|---|---|---|---|
| *Electricity Generation (TWh)* | **3.6** | 3.1 | **8.6** | 5.6 |
| Revenue | **235** | 237 | **642** | 574 |
| Fuel expense | **98** | 102 | **263** | 214 |
| Gross margin | **137** | 135 | **379** | 360 |
| Operations, maintenance and administration expenses | **23** | 18 | **73** | 56 |
| Accretion on fixed asset removal liabilities | **-** | 1 | **1** | 2 |
| Property taxes | **-** | - | **1** | 2 |
| Earnings before interest, income taxes, depreciation and amortization | **114** | 116 | **304** | 300 |
| Depreciation and amortization expenses | **30** | 29 | **90** | 88 |
| Earnings before interest and income taxes | **84** | 87 | **214** | 212 |

Earnings before interest and income taxes from the segment decreased by $3 million for the three months ended September 30, 2024, compared to the same period in 2023. The decrease in earnings was primarily due to higher OM&A expenses, mainly driven by increased maintenance activities at the combined cycle plants.

Earnings before interest and income taxes from the segment increased by $2 million for the nine months ended September 30, 2024, compared to the same period in 2023. The increase was primarily due to higher gross margin as a result of higher demand for electricity generation from the combined cycle plants, partially offset by higher OM&A expenses, mainly driven by increased maintenance activities at the combined cycle plants.

The Thermal Availability for the assets within the Atura Power business segment as at September 30, 2024 and 2023 was as follows:

| | As At September 30 2024 | 2023 |
|---|---|---|
| Thermal Availability *(%)* [1] | **87.7** | 89.5 |

[1] Thermal Availability is defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures*. The measure reflects the availability of the combined cycle plants as at the period end date, calculated on a three-year rolling average basis.

The Thermal Availability for the combined cycle plants decreased as at September 30, 2024, compared to September 30, 2023, primarily due to a planned outage at the Halton Hills GS.

## LIQUIDITY AND CAPITAL RESOURCES

OPG maintains a range of funding sources to ensure sufficient liquidity and meet financing requirements. These sources are used for multiple purposes including: to invest in plants and technologies, undertake major projects and business acquisitions, fund long-term obligations such as contributions to the pension fund, make payments under the OPEB plans, fund expenditures on Nuclear Liabilities not eligible for reimbursement from the Nuclear Segregated Funds, service and repay long-term debt, and provide general working capital.

Changes in cash and cash equivalents for the three and nine month periods ended September 30, 2024 and 2023 were as follows:

| | **Three Months Ended September 30** | | **Nine Months Ended September 30** | |
|---|---|---|---|---|
| *(millions of dollars)* | **2024** | **2023** | **2024** | **2023** |
| Cash, cash equivalents and restricted cash, beginning of period | **1,879** | 1,498 | **1,481** | 1,595 |
| Cash flow provided by operating activities | **746** | 736 | **1,782** | 1,881 |
| Cash flow used in investing activities | **(883)** | (724) | **(2,676)** | (2,063) |
| Cash flow provided by financing activities | **203** | 117 | **1,352** | 217 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | **(1)** | 3 | **5** | - |
| Net increase in cash, cash equivalents and restricted cash | **65** | 132 | **463** | 35 |
| Cash, and cash equivalents and restricted cash, end of period | **1,944** | 1,630 | **1,944** | 1,630 |

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

### Investing Activities

Cash flow used in investing activities for the three and nine month periods ended September 30, 2024 increased by $159 million and $613 million, respectively, compared to the same periods in 2023. The increase for the three months ended September 30, 2024 was primarily due to higher capital expenditures, mainly within the Regulated – Nuclear Generation business segment. The increase for the nine months ended September 30, 2024 was primarily due to higher capital expenditures, mainly within the Regulated – Nuclear Generation business segment, and the acquisition of Lightstar on January 31, 2024. The increase was partially offset by the purchase of the new corporate headquarters building and surrounding lands at 1908 Colonel Sam Drive in Oshawa, Ontario in February 2023.

### Financing Activities

Cash flow provided in financing activities for the three and nine month periods ended September 30, 2024 increased by $86 million and $1,135 million, respectively, compared to the same periods in 2023. The increase for the three months ended September 30, 2024 was primarily due to the issuance of $300 million of green bonds through the Company's Medium Term Note Program during the third quarter of 2024. The increase was partly offset by a higher net repayment of commercial paper during the third quarter of 2024. The increase for the nine months ended September 30, 2024 was primarily due the issuance of $1.3 billion of green bonds through the Company's Medium Term Note Program and higher net issuances of corporate commercial paper during 2024. The increase was partially offset by higher repayments of long-term debt during 2024.

Committed credit facilities and maturity dates as at September 30, 2024 were as follows:

| *(millions of dollars)* | | **Amount** |
|---|---|---|
| **Bank facilities:** | | |
| Corporate [1, 2] | | **1,341** |
| Corporate [1] | US Dollars | **750** |
| Lower Mattagami Energy Limited Partnership [3] | | **460** |
| OPG Eagle Creek Holdings LLC and subsidiaries | US Dollars | **20** |
| OEFC facility [2] | | **750** |

[1] Certain corporate credit facilities contain a sustainability-linked feature that allows reduced pricing if the Company meets certain sustainability targets.
[2] Represents amounts available under the facility, net of debt issuances.
[3] Letter of credit of $60 million was outstanding under this facility as at September 30, 2024.

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

| | **As At** | |
|---|---|---|
| *(millions of dollars)* | **September 30 2024** | **December 31 2023** |
| Lower Mattagami Energy Limited Partnership | **215** | 200 |
| Corporate commercial paper | **150** | - |
| Total short-term debt | **365** | 200 |
| Letters of credit | **496** | 525 |
| Guarantees [1] | **32** | 32 |

[1] As at September 30, 2024, the potential impact of the fair value of the outstanding guarantees to income is $1 million and OPG does not expect to make any payments associated with these guarantees.

As of September 30, 2024, a total of $496 million of letters of credit had been issued. This included $308 million for the supplementary pension plans, $60 million for Lower Mattagami Energy Limited Partnership, $52 million for general corporate purposes, $43 million for Atura Power, $17 million for Eagle Creek and its subsidiaries, $15 million for UMH Energy Partnership, and $1 million for PSS Generating Station Limited Partnership.

Long-term debt balances were as follows:

| | **As At** | |
|---|---|---|
| *(millions of dollars)* | **September 30 2024** | **December 31 2023** |
| Medium Term Notes payable | **5,950** | 4,650 |
| Senior notes payable under corporate credit facilities | **2,729** | 2,822 |
| Project financing | **2,886** | 2,877 |
| Other | **25** | 25 |
| Total long-term debt [1] | **11,590** | 10,374 |

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

## BALANCE SHEET HIGHLIGHTS

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

| *(millions of dollars)* | As At<br>September 30<br>2024 | <br>December 31<br>2023 |
|---|---|---|
| **Property, plant and equipment – net**<br>The increase was primarily due to capital expenditures during the quarter, partially offset by depreciation expense. Further details on capital expenditures can be found in the section, *Highlights* under the heading, *Capital Expenditures*. | **35,257** | 33,460 |
| **Nuclear fixed asset removal and nuclear waste management funds**<br>*(current and non-current portions)*<br>The increase was primarily due to earnings recognized on the Nuclear Segregated Funds, partially offset by reimbursement of eligible expenditures on nuclear fixed asset removal and nuclear waste management activities from the Nuclear Segregated Funds. | **22,196** | 21,563 |
| **Short-term debt**<br>The increase was primarily due to net issuances of corporate commercial paper. | **365** | 200 |
| **Long-term debt**<br>*(current and non-current portions)*<br>The increase was primarily due to issuances under the Company's Medium Term Note Program and corporate credit facilities, net of debt repayments to the OEFC. | **11,548** | 10,342 |
| **Fixed asset removal and nuclear waste management liabilities**<br>The increase was primarily a result of accretion expense, partially offset by expenditures on fixed asset removal and nuclear waste management activities. | **26,064** | 25,386 |

### Off-Balance Sheet Arrangements

In the normal course of operations, OPG engages in a variety of transactions that, under US GAAP, are either not recorded in the Company's consolidated financial statements or are recorded in the Company's consolidated financial statements using amounts that differ from the full contract amounts. Principal off-balance sheet activities for OPG include guarantees and long-term contracts.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

OPG's significant accounting policies are outlined in Note 3 to OPG's audited consolidated financial statements as at and for the year ended December 31, 2023. OPG's critical accounting policies are consistent with those noted in OPG's 2023 annual MD&A.

## RISK MANAGEMENT

The discussion in this section is qualified in its entirety by the cautionary statements included in the section, *Forward-Looking Statements* at the beginning of the MD&A. The following section provides an update to the discussion of the Company's risks and risk management activities included in OPG's 2023 annual MD&A in the section, *Risk Management*.

### Risks to Maintaining Financial Strength

Risks related to macro-economic factors, rate regulation, financial markets and long-term obligations could significantly impact OPG's financial performance. The Company is also exposed to risks such as changes in market prices of electricity and renewal of energy supply contracts. Additionally, escalation of the current conflicts in Ukraine and the Middle East, in conjunction with geo-political tensions between the US and China, could drive long-lasting implications for global commodity and financial markets.

**Credit**

The Company's credit risk exposure is a function of its electricity sales, trading and hedging activities, and treasury activities including investing and commercial transactions with various suppliers of goods and services. OPG's credit risk exposure relating to energy market transactions as at September 30, 2024 was $650 million, including $577 million with the IESO. OPG continues to consider overall credit risk exposure relating to electricity sales to be low, as the majority of sales are through the IESO-administered market in Ontario.

**Commodity Markets**

Changes in the market prices of fuels used to produce electricity can adversely impact OPG's earnings and cash flow from operations.

To manage the risk of unpredictable increases in the price of fuels, the Company has fuel hedging programs, which include using fixed price and indexed contracts.

The percentages hedged of OPG's fuel requirements are shown in the following table. These amounts are based on yearly forecasts of electricity generation and supply mix and, as such, are subject to change as these forecasts are updated.

| | 2024 [1] | 2025 | 2026 |
|---|---|---|---|
| Estimated fuel requirements hedged (%) [2] | 100% | 79% | 80% |

1 Based on actual fuel requirements hedged for the nine months ended September 30, 2024 and forecast for the remainder of the year.

2 Represents the approximate portion of megawatt-hour (MWh) of expected electricity generation (and year-end inventory targets) from each type of OPG-operated facility (nuclear, hydroelectric and thermal) for which the price of fuel is fixed, or for which the Company has entered into contractual arrangements to secure the price of fuel or secure the recovery of fuel costs. In the case of regulated and contracted hydroelectric electricity generation in Ontario, this represents the gross revenue charge and water rental charges. Excess fuel inventories (nuclear and thermal) in a given year are attributed to the next year for the purpose of measuring hedge ratios.

## RELATED PARTY TRANSACTIONS

Given that the Province owns all of the shares of OPG, related parties include the Province and other entities controlled by the Province.

The related party transactions summarized below include transactions with the Province and the principal successors to the former Ontario Hydro's integrated electricity business, including Hydro One Limited (Hydro One), the IESO and the OEFC. Transactions between OPG and related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As one of several wholly owned government business enterprises of the Province, OPG also has transactions in the normal course of business with various government ministries and organizations in Ontario that fall under the purview of the Province.

The related party transactions were as follows:

| | Three Months Ended September 30 | | | |
|---|---|---|---|---|
| | **2024** | | **2023** | |
| *(millions of dollars)* | **Income** | **Expense** | **Income** | **Expense** |
| Hydro One | | | | |
| Electricity sales | **4** | **-** | 4 | - |
| Services | **-** | **3** | - | 2 |
| Dividends | **1** | **-** | 2 | - |
| Province of Ontario | | | | |
| Change in Decommissioning Segregated Fund amount due to Province [1] | **-** | **457** | 309 | - |
| Change in Used Fuel Segregated Fund amount due to Province [1] | **-** | **573** | 367 | - |
| Hydroelectric gross revenue charge | **-** | **28** | - | 26 |
| OEFC | | | | |
| Hydroelectric gross revenue charge | **-** | **61** | - | 62 |
| Interest expense on long-term notes | **-** | **21** | - | 23 |
| Income taxes | **-** | **112** | - | 150 |
| Property taxes | **-** | **4** | - | 3 |
| IESO | | | | |
| Electricity-related revenue | **1,785** | **-** | 1,712 | - |
| Fair Hydro Trust | | | | |
| Interest income | **9** | **-** | 9 | - |
| | **1,799** | **1,259** | 2,403 | 266 |

[1] The Nuclear Segregated Funds are reported on the consolidated balance sheets net of amounts recognized as due to the Province in respect of any excess funding and, for the Used Fuel Segregated Fund, the Province's rate of return guarantee. As at September 30, 2024 and December 31, 2023, the Nuclear Segregated Funds were reported net of amounts due to the Province of $9,715 million and $7,640 million, respectively.

| | Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| *(millions of dollars)* | **Income** | **Expense** | **Income** | **Expense** |
| Hydro One | | | | |
| Electricity sales | **14** | **-** | 12 | - |
| Services | **-** | **7** | - | 7 |
| Dividends | **3** | **-** | 4 | - |
| Province of Ontario | | | | |
| Change in Decommissioning Segregated Fund amount due to Province [1] | **-** | **905** | - | 50 |
| Change in Used Fuel Segregated Fund amount due to Province [1] | **-** | **1,170** | - | 78 |
| Hydroelectric gross revenue charge | **-** | **89** | - | 85 |
| OEFC | | | | |
| Hydroelectric gross revenue charge | **-** | **160** | - | 153 |
| Interest expense on long-term notes | **-** | **66** | - | 70 |
| Income taxes | **-** | **275** | - | 382 |
| Property taxes | **-** | **10** | - | 9 |
| IESO | | | | |
| Electricity-related revenue | **4,816** | **-** | 4,980 | - |
| Fair Hydro Trust | | | | |
| Interest income | **25** | **-** | 25 | - |
| | **4,858** | **2,682** | 5,021 | 834 |

[1] The Nuclear Segregated Funds are reported on the consolidated balance sheets net of amounts recognized as due to the Province in respect of any excess funding and, for the Used Fuel Segregated Fund, the Province's rate of return guarantee. As at September 30, 2024 and December 31, 2023, the Nuclear Segregated Funds were reported net of amounts due to the Province of $9,715 million and $7,640 million, respectively.

Balances between OPG and its related parties are summarized below:

| *(millions of dollars)* | **September 30 2024** | **December 31 2023** |
|---|---|---|
| Receivables from related parties | | |
| Hydro One | **2** | 4 |
| IESO – Electricity related receivables | **577** | 623 |
| Fair Hydro Trust | **12** | 4 |
| Province of Ontario | **1** | - |
| Loan receivable | | |
| Fair Hydro Trust | **903** | 905 |
| Equity securities | | |
| Hydro One shares | **169** | 164 |
| Accounts payable, accrued charges and other payables | | |
| Hydro One | **1** | 2 |
| OEFC | **90** | 82 |
| Province of Ontario | **6** | 8 |
| IESO – Electricity related payables | **4** | 1 |
| Long-term debt (including current portion) | | |
| Notes payable to OEFC | **2,100** | 2,500 |

OPG may hold Province of Ontario bonds and treasury bills in the Nuclear Segregated Funds and the OPG registered pension plan. As at September 30, 2024, the Nuclear Segregated Funds held $1,624 million of Province of Ontario bonds (December 31, 2023 – $1,603 million) and $5 million of Province of Ontario treasury bills (December 31, 2023 – $4 million). As of September 30, 2024, the OPG registered pension plan held $330 million of Province of Ontario bonds (December 31, 2023 − $336 million) and $2 million of Province of Ontario treasury bills (December 31, 2023 – $5 million). These Province of Ontario bonds and treasury bills are publicly traded securities and are measured at fair value. OPG jointly oversees the investment management of the Nuclear Segregated Funds with the Province.

## INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

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

## QUARTERLY FINANCIAL HIGHLIGHTS

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

| *(millions of dollars – except where noted)* *(unaudited)* | **September 30 2024** | **June 30 2024** | **March 31 2024** | **December 31 2023** |
|---|---|---|---|---|
| Electricity generation (*TWh*) | **21.7** | 18.9 | 21.1 | 20.8 |
| Revenue | **1,891** | 1,691 | 1,767 | 1,894 |
| Net income | **383** | 166 | 225 | 454 |
| Less: Net income attributable to non-controlling interest | **4** | 6 | 4 | 4 |
| Net income attributable to the Shareholder | **379** | 160 | 221 | 450 |
| **Earnings per share, attributable to the Shareholder *(dollars)*** | **$1.38** | $0.58 | $0.80 | $1.64 |

| *(millions of dollars – except where noted)* *(unaudited)* | **September 30 2023** | **June 30 2023** | **March 31 2023** | **December 31 2022** |
|---|---|---|---|---|
| Electricity generation (*TWh*) | 20.9 | 19.5 | 19.7 | 16.8 |
| Revenue | 1,882 | 1,828 | 1,830 | 1,557 |
| Net income | 449 | 423 | 433 | 205 |
| Less: Net income attribute to the non-controlling interest | 5 | 5 | 4 | 2 |
| Net income attributable to the Shareholder | 444 | 418 | 429 | 203 |
| **Earnings per share, attributable to the Shareholder *(dollars)*** | $1.62 | $1.52 | $1.56 | $0.74 |

[1] Earnings per share was calculated using the weighted average number of shares outstanding of 274.6 million for all periods presented. There were no dilutive securities during any of the periods presented.

## KEY OPERATING PERFORMANCE INDICATORS AND NON-GAAP FINANCIAL MEASURES

### Key Operating Performance Measures

OPG evaluates the performance of its generating stations using a number of key indicators. Key operating performance indicators aligned with corporate business imperatives include measures of production reliability, cost effectiveness, environmental performance and safety performance. Certain of the measures used vary depending on the generating technology.

#### Nuclear Unit Capability Factor

The nuclear Unit Capability Factor is a key measure of nuclear station performance. It measures the amount of energy that the unit(s) generated over a period of time, adjusted for externally imposed constraints such as transmission or demand limitations, as a percentage of the amount of energy that would have been produced over the same period had the unit(s) produced maximum generation. Capability factors are primarily affected by planned and unplanned outages. An outage day represents a single unit being offline or derated for an amount of time equivalent to one day. By industry definition, capability factors exclude production losses beyond plant management's control, such as grid-related unavailability. The nuclear Unit Capability Factor also excludes unit(s) during the period in which they are undergoing refurbishment. As of September 30, 2024, the Darlington GS had two units in service and the Pickering GS had six units in service.

#### Hydroelectric Availability

Hydroelectric Availability represents the percentage of time the generating unit is capable of providing service, whether or not it is actually generating electricity, compared to the total time for the respective period, weighted by unit capacity.

#### Thermal Equivalent Forced Outage Rate

Equivalent forced outage rate is an index of the reliability of a generating unit at OPG's wholly-owned thermal stations. It is measured by the ratio of time a generating unit is forced out of service by unplanned events, including any forced deratings, compared to the amount of time the generating unit was available to operate.

#### Thermal Availability

Thermal Availability represents the percentage of time a generating unit at Atura Power's combined cycle plants is capable of providing service, whether or not it is actually generating electricity, compared to the total time for the respective period, averaged by the number of facilities owned and operated through Atura Power. The measure is calculated on a three-year rolling average basis.

#### Other Key Indicators

In addition to production reliability, cost effectiveness and financial performance indicators, OPG has identified certain environmental and safety performance measures. As applicable, these measures are discussed in the section, *Environmental, Social, Governance and Sustainability*.

## Non-GAAP Financial Performance Measures

In addition to net income and other financial information in accordance with US GAAP, certain non-GAAP financial measures are also presented in this MD&A. These non-GAAP measures do not have any standardized meaning prescribed by US GAAP and, therefore, may not be comparable to similar measures presented by other issuers. OPG utilizes these measures to make operating decisions and assess performance. Readers of the MD&A would utilize these measures in assessing the Company's financial performance from ongoing operations. The Company believes that these indicators are important since they provide additional information about OPG's performance, facilitate comparison of results over different periods and present measures consistent with the Company's strategies to provide value to the Shareholder, improve cost performance and ensure availability of cost-effective funding. These non-GAAP financial measures have not been presented as an alternative to net income or any other measure in accordance with US GAAP, but as indicators of operating performance.

The definitions of the non-GAAP financial measures are as follows:

**(1) Earnings before interest, income taxes, depreciation and amortization** is defined as net income before net interest expense, income tax expense and depreciation and amortization expenses.

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

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# ONTARIO POWER GENERATION INC.

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

SEPTEMBER 30, 2024

# INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| *(millions of dollars – except where noted)* | Three Months Ended September 30 2024 | Three Months Ended September 30 2023 | Nine Months Ended September 30 2024 | Nine Months Ended September 30 2023 |
|---|---|---|---|---|
| **Revenue** | **1,891** | 1,882 | **5,349** | 5,540 |
| Fuel expense | **267** | 276 | **760** | 702 |
| **Gross margin** | **1,624** | 1,606 | **4,589** | 4,838 |
| | | | | |
| Operations, maintenance and administration expenses | **775** | 723 | **2,485** | 2,319 |
| Depreciation and amortization expenses | **331** | 262 | **935** | 787 |
| Accretion on fixed asset removal and nuclear waste management liabilities | **303** | 296 | **914** | 885 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | **(277)** | (267) | **(822)** | (789) |
| Property taxes | **12** | 13 | **36** | 36 |
| | **1,144** | 1,027 | **3,548** | 3,238 |
| | | | | |
| **Income before other (gains) losses, interest and income taxes** | **480** | 579 | **1,041** | 1,600 |
| Other (gains) losses | **(23)** | 16 | **(5)** | (11) |
| | | | | |
| **Income before interest and income taxes** | **503** | 563 | **1,046** | 1,611 |
| Net interest expense *(Note 5)* | **48** | 17 | **144** | 86 |
| | | | | |
| **Income before income taxes** | **455** | 546 | **902** | 1,525 |
| Income tax expense | **72** | 97 | **128** | 220 |
| | | | | |
| **Net income** | **383** | 449 | **774** | 1,305 |
| | | | | |
| **Net income attributable to the Shareholder** | **379** | 444 | **760** | 1,291 |
| Net income attributable to non-controlling interest | **4** | 5 | **14** | 14 |
| | | | | |
| **Basic and diluted earnings per share** *(dollars)* [1] | **1.38** | 1.62 | **2.77** | 4.70 |

[1] The weighted average number of shares outstanding as at September 30, 2024 and 2023 was 274.6 million. There were no dilutive securities during the three and nine month periods ended September 30, 2024 and 2023.

*See accompanying notes to the interim consolidated financial statements*

# INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *(millions of dollars)* | **2024** | **2023** | **2024** | **2023** |
| **Net income** | **383** | 449 | **774** | 1,305 |
| **Other comprehensive (loss) income, net of income taxes** *(Note 8)* | | | | |
| Reclassification to income of amounts related to pension and other post-employment benefits [1] | **(1)** | (1) | **(2)** | (3) |
| Reclassification to income of amounts related to derivatives designated as cash flow hedges [2] | **(2)** | 1 | **(4)** | 3 |
| Net gain (loss) on derivatives designated as cash flow hedges [3] | **7** | (3) | **8** | 13 |
| Currency translation adjustment | **(28)** | 40 | **41** | (5) |
| Other comprehensive (loss) income for the period | **(24)** | 37 | **43** | 8 |
| **Comprehensive income** | **359** | 486 | **817** | 1,313 |
| **Comprehensive income attributable to the Shareholder** | **355** | 481 | **803** | 1,299 |
| Comprehensive income attributable to non-controlling interest | **4** | 5 | **14** | 14 |

[1] Net of income tax expense of nil for each of the three and nine month periods ended September 30, 2024. Net of income tax recovery of nil and $1 million for the three and nine month periods ended September 30, 2023, respectively.

[2] Net of income tax recovery of nil and $1 million for the three and nine month periods ended September 30, 2024, respectively. Net of income tax expense of $1 million for each of the three and nine month periods ended September 30, 2023.

[3] Net of income tax expense of $2 million for each of the three and nine month periods ended September 30, 2024. Net of income tax recovery of $1 million and net of income tax expense of $4 million for the three and nine month periods ended September 30, 2023, respectively.

*See accompanying notes to the interim consolidated financial statements*

# INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| *(millions of dollars)* | **Nine Months Ended September 30 2024** | **2023** |
|---|---|---|
| **Operating activities** | | |
| Net income | **774** | 1,305 |
| Adjust for non-cash items: | | |
| Depreciation and amortization expenses | **935** | 787 |
| Accretion on fixed asset removal and nuclear waste management liabilities | **914** | 885 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | **(822)** | (789) |
| Pension and other post-employment benefit costs *(Note 9)* | **273** | 273 |
| Deferred income tax expense | **6** | 46 |
| Regulatory assets and regulatory liabilities | **4** | (129) |
| Other gains | **(1)** | (4) |
| Other | **(17)** | 1 |
| Expenditures on fixed asset removal and nuclear waste management | **(352)** | (312) |
| Reimbursement of eligible expenditures on nuclear fixed asset removal and nuclear waste management | **182** | 148 |
| Contributions to pension funds and expenditures on other post-employment benefits and supplementary pension plans | **(222)** | (236) |
| Net changes to other long-term assets and long-term liabilities | **103** | 38 |
| Net changes in non-cash working capital balances *(Note 14)* | **5** | (132) |
| **Cash flow provided by operating activities** | **1,782** | 1,881 |
| **Investing activities** | | |
| Investment in property, plant and equipment and intangible assets | **(2,545)** | (1,988) |
| Acquisition of Lightstar Renewables and Lightstar Operations One *(Note 3)* | **(131)** | - |
| Purchase of new corporate headquarters real estate site | **-** | (102) |
| Short-term investments | **-** | (7) |
| Proceeds from sale of non-core real estate site | **-** | 34 |
| **Cash flow used in investing activities** | **(2,676)** | (2,063) |
| **Financing activities** | | |
| Net issuance of long-term debt *(Note 5)* | **1,199** | 135 |
| Net issuance of short-term debt *(Note 6)* | **165** | 95 |
| Equity investment from non-controlling interest | **3** | 2 |
| Distribution to non-controlling interest | **(15)** | (15) |
| **Cash flow provided by financing activities** | **1,352** | 217 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | **5** | - |
| Net increase in cash, cash equivalents and restricted cash | **463** | 35 |
| **Cash, cash equivalents and restricted cash, beginning of period** | **1,481** | 1,595 |
| **Cash, cash equivalents and restricted cash, end of period** | **1,944** | 1,630 |

*See accompanying notes to the interim consolidated financial statements*

# INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| **As at**<br>*(millions of dollars)* | **September 30 2024** | **December 31 2023** |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash, cash equivalents and restricted cash | **1,944** | 1,481 |
| Equity securities | **169** | 164 |
| Receivables from related parties | **592** | 631 |
| Nuclear fixed asset removal and nuclear waste management funds | **71** | 68 |
| Fuel inventory | **299** | 295 |
| Materials and supplies | **126** | 106 |
| Regulatory assets *(Note 4)* | **537** | 143 |
| Prepaid expenses | **322** | 321 |
| Other current assets | **343** | 342 |
| | **4,403** | 3,551 |
| **Property, plant and equipment** | **50,094** | 47,339 |
| Less: accumulated depreciation | **14,837** | 13,879 |
| | **35,257** | 33,460 |
| **Intangible assets** | **976** | 802 |
| Less: accumulated amortization | **409** | 310 |
| | **567** | 492 |
| **Goodwill** *(Note 3)* | **215** | 168 |
| **Other assets** | | |
| Nuclear fixed asset removal and nuclear waste management funds | **22,125** | 21,495 |
| Loan receivable from related party | **903** | 905 |
| Long-term materials and supplies | **352** | 382 |
| Regulatory assets *(Note 4)* | **4,930** | 5,078 |
| Investments subject to significant influence | **53** | 53 |
| Other long-term assets | **131** | 104 |
| | **28,494** | 28,017 |
| | **68,936** | 65,688 |

*See accompanying notes to the interim consolidated financial statements*

# INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| **As at**<br>*(millions of dollars)* | **September 30 2024** | **December 31 2023** |
|---|---|---|
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable, accrued charges and other payables | **1,800** | 1,729 |
| Short-term debt *(Note 6)* | **365** | 200 |
| Long-term debt due within one year *(Note 5)* | **403** | 603 |
| Regulatory liabilities *(Note 4)* | **277** | 131 |
| | **2,845** | 2,663 |
| **Long-term debt** *(Note 5)* | **11,145** | 9,739 |
| **Other liabilities** | | |
| Fixed asset removal and nuclear waste management liabilities *(Note 7)* | **26,064** | 25,386 |
| Pension liabilities | **816** | 883 |
| Other post-employment benefit liabilities | **2,726** | 2,641 |
| Long-term accounts payable and accrued charges | **352** | 247 |
| Deferred revenue | **357** | 364 |
| Deferred income taxes | **2,328** | 2,149 |
| Regulatory liabilities *(Note 4)* | **897** | 1,025 |
| | **33,540** | 32,695 |
| **Equity** | | |
| Common shares [1] | **5,126** | 5,126 |
| Class A shares [2] | **787** | 787 |
| Contributed surplus | **29** | 30 |
| Retained earnings | **15,241** | 14,481 |
| Accumulated other comprehensive income (loss) *(Note 8)* | **28** | (15) |
| **Equity attributable to the Shareholder** | **21,211** | 20,409 |
| Equity attributable to non-controlling interest | **195** | 182 |
| **Total equity** | **21,406** | 20,591 |
| | **68,936** | 65,688 |

[1] 256,300,010 Common shares outstanding at a stated value of $5,126 million as at September 30, 2024 and December 31, 2023.
[2] 18,343,815 Class A shares outstanding at a stated value of $787 million as at September 30, 2024 and December 31, 2023.

Commitments and Contingencies *(Notes 5, 6, 9 and 12)*

*See accompanying notes to the interim consolidated financial statements*

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

| | Nine Months Ended September 30 | |
|---|---|---|
| *(millions of dollars)* | **2024** | **2023** |
| **Common shares** | **5,126** | 5,126 |
| **Class A shares** | **787** | 787 |
| **Contributed surplus** | | |
| Balance at beginning of period | **30** | 32 |
| Reclassification to income of amounts related to gain on deconsolidation of Fair Hydro Trust | **(1)** | (2) |
| Balance at end of period | **29** | 30 |
| **Retained earnings** | | |
| Balance at beginning of period | **14,481** | 12,740 |
| Net income attributable to the Shareholder | **760** | 1,291 |
| Balance at end of period | **15,241** | 14,031 |
| **Accumulated other comprehensive income (loss), net of income taxes** *(Note 8)* | | |
| Balance at beginning of period | **(15)** | 128 |
| Other comprehensive income | **43** | 8 |
| Balance at end of period | **28** | 136 |
| **Equity attributable to the Shareholder** | **21,211** | 20,110 |
| **Equity attributable to non-controlling interest** | | |
| Balance at beginning of period | **182** | 176 |
| Income attributable to non-controlling interest | **14** | 14 |
| Equity investment from non-controlling interest | **14** | 5 |
| Distribution to non-controlling interest | **(15)** | (15) |
| Balance at end of period | **195** | 180 |
| **Total equity** | **21,406** | 20,290 |

*See accompanying notes to the interim consolidated financial statements*

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## 1. BASIS OF PRESENTATION

These interim consolidated financial statements for the three and nine month periods ended September 30, 2024 and 2023 include the accounts of Ontario Power Generation Inc. (OPG or the Company) and its subsidiaries. The Company consolidates its interest in entities over which it is able to exercise control and attributes the results to its sole shareholder, the Province of Ontario (the Province or the Shareholder). These interim consolidated financial statements have been prepared and presented in accordance with United States generally accepted accounting principles (US GAAP). These interim consolidated financial statements do not contain all of the disclosures required by US GAAP for annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2023.

As required by *Ontario Regulation 395/11,* as amended, under the *Financial Administration Act* (Ontario), OPG adopted US GAAP for the presentation of its consolidated financial statements, effective January 1, 2012. Since January 1, 2012, OPG also has received exemptive relief from the Ontario Securities Commission (OSC) from the requirements of section 3.2 of National Instrument 52-107, *Acceptable Accounting Policies and Auditing Standards*. The exemption allows OPG to file consolidated financial statements prepared in accordance with US GAAP, rather than International Financial Reporting Standards (IFRS), without becoming a US Securities and Exchange Commission registrant.

In September 2022, OPG received an extension to its previous exemptive relief from the OSC. The exemptive relief will terminate on the earliest of the following:

- January 1, 2027;
- The financial year that commences after OPG ceases to have activities subject to rate regulation; and
- The financial year that commences on or following the later of:
    I. The effective date prescribed by the International Accounting Standards Board (IASB) for the mandatory application of a standard within IFRS specific to entities with rate-regulated activities (Mandatory Rate-regulated Standard); and
    II. Two years after the IASB publishes the final version of a Mandatory Rate-regulated Standard.

All dollar amounts are presented in Canadian dollars, unless otherwise noted. Certain 2023 comparative amounts have been reclassified from consolidated financial statements previously presented to conform to the 2024 interim consolidated financial statement presentation.

### Seasonal Variations

OPG's quarterly electricity generation from the Regulated – Hydroelectric Generation, Contracted Hydroelectric and Other Generation, and Atura Power business segments is affected by changes in grid-supplied electricity demand. Changes in grid-supplied electricity demand are primarily caused by variations in seasonal weather conditions, changes in economic conditions, the impact of small-scale generation embedded in distribution networks, and the impact of conservation efforts. Historically, there has been greater electricity demand in Ontario during the winter and summer months due to heating and air conditioning demands.

OPG's quarterly electricity generation from hydroelectric facilities is impacted by weather conditions that affect water flows. Historically, there have been higher water flows in the second quarter as a result of snow and ice melt entering the river systems. The financial impact of variability in water flows on the Regulated – Hydroelectric Generation business segment is mitigated by regulatory variance and deferral accounts (regulatory accounts) authorized by the Ontario Energy Board (OEB).

The financial impact of variability in electricity generation from the Contracted Hydroelectric and Other Generation business segment and the Atura Power business segment is mitigated by the terms of the applicable Energy Supply Agreements with the Independent Electricity System Operator (IESO) for the contracted generating facilities in Ontario.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies followed in the presentation of these interim consolidated financial statements are consistent with those of the previous fiscal year.

### Recent Accounting Pronouncements Not Yet Adopted

Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2023-07, *Improvements to Reportable Segment Disclosures* (ASU 2023-07), an update to Topic 280, *Segment Reporting.* The purpose of ASU 2023-07 is to improve disclosures about a public entity's reportable segments and address requests from investors and other allocators of capital for additional, more detailed information about a reportable segment's expenses. The update is effective for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024. Based on OPG's continued assessment, this update is not expected to have a material impact on the disclosures contained in the Company's interim consolidated financial statements.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures* (ASU 2023-09), an update to Topic 740, *Income Taxes*. The purpose of ASU 2023-09 is to enhance the transparency and decision usefulness of income tax disclosures through increasing disclosure requirements related to the rate reconciliation and income taxes paid information. The update requires specific categories to be disclosed in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The update also requires that entities disclose income taxes paid disaggregated by federal, provincial, and foreign taxes and by individual jurisdiction in which income tax paid exceeds five percent of total income taxes paid. The update is effective for annual periods beginning after December 15, 2024. Based on OPG's continued assessment, this update is not expected to have a material impact on the disclosures contained in the Company's interim consolidated financial statements.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses* (ASU 2024-03), an update to Subtopic 220-40, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures*. The standard update improves the disclosures about a public business entity's expenses by requiring more detailed information about the types of expenses (including purchases of inventory and employee compensation) included within consolidated income statement expense captions. The update is effective for fiscal years beginning after December 15, 2026 and interim periods beginning after December 15, 2027. Early adoption is permitted. The standard updates are to be applied prospectively with the option for retrospective application. The Company is currently evaluating the impact of adoption of the standard update on the disclosures contained within the Company's annual and interim consolidated financial statements.

### New Tax Laws

Following the Organization for Economic Cooperation and Development's recommendation, the Canadian federal government released draft legislation in August 2023 that proposed to impose a global minimum tax of 15 percent on large multinational enterprises. The resulting *Global Minimum Tax Act* (GMTA) was enacted during the second quarter of 2024. It applies to Canadian multinational enterprises with revenue in excess of a certain threshold and is effective as of January 1, 2024, and applies to OPG. Based on preliminary estimates, the Company is not expected to have a material liability with respect to this tax.

In March 2023, the Canadian federal government announced certain refundable investment tax credits for clean energy investments. The Clean Technology Investment Tax Credit (CTITC) and the Clean Hydrogen Investment Tax Credit (CHITC) were enacted during the second quarter of 2024. The CTITC provides a 30 percent refundable tax credit and the CHITC provides a refundable tax credit ranging from 15 percent to 40 percent depending on the carbon intensity of the project, and both credits are available to federally taxable entities. If certain labour conditions are not met, these refundable credits are reduced by 10 percent. OPG's federally taxable entities making eligible investments are expected to qualify for the CTITC and the CHITC.

## 3. ACQUISITIONS

On January 31, 2024, through its wholly-owned subsidiary, Eagle Creek Holdings LLC (Eagle Creek), OPG acquired Lightstar Renewables LLC and Lightstar Operations One LLC (collectively, Lightstar) for a total purchase price of approximately $163 million (US$121 million), including cash paid of $131 million (US$97 million) and a contingent consideration of $32 million (US$24 million), subject to the customary working capital and other adjustments. Lightstar is a developer, owner and operator of community solar assets in the United States (US).

The acquisition was accounted for as a business combination and its results are reported within the Contracted Hydroelectric and Other Generation business segment. The fair value calculation of the major classes of assets acquired and liabilities assumed was based upon management's estimates and assumptions and determined using the exchange rate on the acquisition date. Major assets acquired, based on preliminary allocations, consisted of $125 million of intangible assets and property, plant and equipment (PP&E). Based on preliminary allocations, goodwill of $43 million was recognized. Goodwill represents the excess of the purchase price over the aggregate fair value of net assets acquired. The Company continues to review information and perform further analysis prior to finalizing the fair value of the assets acquired and the liabilities assumed.

## 4. REGULATORY ASSETS AND REGULATORY LIABILITIES

The regulatory assets and regulatory liabilities consist of the following:

| **As at** *(millions of dollars)* | **September 30 2024** | **December 31 2023** |
|---|---|---|
| Regulatory assets | | |
| *Variance and deferral accounts authorized by the OEB* | | |
| Rate Smoothing Deferral Account | **671** | 654 |
| Nuclear Liability Deferral Account | **493** | 378 |
| Pension & OPEB Cash Versus Accrual Differential Deferral Account | **449** | 602 |
| Capacity Refurbishment Variance Account | **443** | 384 |
| Hydroelectric Surplus Baseload Generation Variance Account | **344** | 393 |
| Pickering B Extension Variance Account | **99** | 26 |
| Nuclear Development Variance Account | **90** | 122 |
| Other variance and deferral accounts [1] | **145** | 105 |
| | **2,734** | 2,664 |
| Pension and OPEB Regulatory Asset *(Note 9)* | **635** | 619 |
| Deferred Income Taxes | **2,098** | 1,938 |
| Total regulatory assets | **5,467** | 5,221 |
| Less: current portion | **537** | 143 |
| Non-current regulatory assets | **4,930** | 5,078 |
| Regulatory liabilities | | |
| *Variance and deferral accounts authorized by the OEB* | | |
| Pension & OPEB Cash Payment Variance Account | **369** | 426 |
| Pension and OPEB Cost Variance Account | **366** | 319 |
| Hydroelectric Water Conditions Variance Account | **189** | 185 |
| Nuclear Deferral and Variance Over/Under Recovery Variance Account | **64** | 77 |
| Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges Variance Account | **47** | 32 |
| Other variance and deferral accounts [2] | **135** | 102 |
| | **1,170** | 1,141 |
| COVID-19 net credit to ratepayers | **4** | 15 |
| Total regulatory liabilities | **1,174** | 1,156 |
| Less: current portion | **277** | 131 |
| Non-current regulatory liabilities | **897** | 1,025 |

[1] Represents amounts for the Hydroelectric Deferral and Variance Over/Under Recovery Variance Account, the Fitness for Duty Deferral Account, the Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account, the Clarington Corporate Campus Deferral Account, the Pickering Closure Costs Deferral Account, the Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account and the Impact Resulting from Optimization of Pickering Station End-of-Life Dates Deferral Account.

[2] Represents amounts for the Income and Other Taxes Variance Account, the SR&ED ITC Variance Account, the Bruce Lease Net Revenues Variance Account, the Ancillary Services Net Revenue Variance Account and the Sale of Unprescribed Kipling Site Deferral Account.

In December 2023, OPG filed an application with the OEB requesting disposition of regulatory account balances as at December 31, 2022, less amounts previously approved for recovery or repayment of the regulatory account balances as of December 31, 2019, through incremental rate riders on nuclear and regulated hydroelectric electricity generation. The application also addressed the anticipated impacts from the Market Renewal Program, an IESO initiative expected to result in a redesign of Ontario’s electricity markets, on OPG’s regulated facilities.

In June 2024, OPG and intervenors in the proceeding reached a proposed complete settlement on OPG’s application. On June 13, 2024, the OEB issued a decision and order approving the proposed settlement (Settlement Agreement), providing for the recovery of a net total of $481 million in connection with amounts recorded in OPG’s regulatory accounts and associated income tax impacts, which represents a reduction of $22 million from the amounts sought in OPG’s application. This includes the resolution of the parties’ positions with respect to whether any of the net proceeds from OPG’s sale of certain premises at 800 Kipling Avenue in Toronto, Ontario received in 2022 should be credited to ratepayers. The Settlement Agreement also provides for regulatory mechanisms to address the anticipated impacts from the IESO’s Market Renewal Program on OPG’s regulated facilities until the effective date of base regulated prices arising from OPG’s next application with the OEB, as part of which any of the parties may take a different position on such mechanisms on a prospective basis.

The balances agreed by the parties are being recovered or repaid effective July 1, 2024 over a period of 30 months. The associated income tax impacts included for recovery were previously recorded as part of the regulatory asset for deferred income taxes. Based on the approved recovery or repayment periods, the OEB authorized OPG to collect $97 million in 2024 and $192 million in each of 2025 and 2026 related to these balances.

In June 2024, the Company recorded a loss of $25 million in connection with the OEB’s decision and order on the Settlement Agreement. Revenue received from the recovery of regulatory account balances is largely offset by amortization expense of regulatory assets and regulatory liabilities recorded for these balances.

## 5. LONG-TERM DEBT AND NET INTEREST EXPENSE

Long-term debt consists of the following:

| **As at** *(millions of dollars)* | **September 30 2024** | **December 31 2023** |
|---|---|---|
| Medium Term Note Program senior notes | **5,950** | 4,650 |
| Senior notes payable under corporate credit facilities | **2,729** | 2,822 |
| Lower Mattagami Energy Limited Partnership senior notes | **1,995** | 1,995 |
| PSS Generating Station Limited Partnership senior notes | **245** | 245 |
| UMH Energy Partnership senior notes | **162** | 163 |
| OPG Eagle Creek Holdings LLC and subsidiaries senior notes | **484** | 474 |
| Other | **25** | 25 |
| | **11,590** | 10,374 |
| Plus: net fair value premium | **1** | 5 |
| Less: unamortized bond issuance fees | **(43)** | (37) |
| Less: amounts due within one year | **(403)** | (603) |
| Long-term debt | **11,145** | 9,739 |

For the nine months ended September 30, 2024, net repayment of long-term debt under the Company's corporate credit facilities totalled $93 million (September 30, 2023 – net issuance of $135 million), which comprised repayment of $400 million (September 30, 2023 – issuances of $176 million) and issuances of $307 million (September 30, 2023 – repayment of $41 million).

On June 28, 2024, OPG issued $1 billion of green bonds under its Sustainable Finance Framework, through its Medium Term Note Program. The issuance consisted of $500 million senior notes maturing in June 2034, with a coupon interest rate of 4.83 percent, and $500 million senior notes maturing in June 2054, with a coupon interest rate of 4.99 percent.

On September 11, 2024, OPG re-opened the June 2024 dual tranche bond issuances under its Medium Term Note Program for an additional $300 million. The additional green bond issuance consisted of $200 million of senior notes maturing in June 2034, with a coupon interest rate of 4.83 percent, and $100 million of senior notes maturing in June 2054, with a coupon interest rate of 4.99 percent.

### Net Interest Expense

The following table summarizes the net interest expense:

| | **Three Months Ended September 30** | | **Nine Months Ended September 30** | |
|---|---|---|---|---|
| *(millions of dollars)* | **2024** | **2023** | **2024** | **2023** |
| Interest on long-term debt | **108** | 93 | **294** | 279 |
| Interest on short-term debt | **5** | 3 | **17** | 9 |
| Interest income | **(27)** | (27) | **(66)** | (74) |
| Interest capitalized to property, plant and equipment and intangible assets | **(37)** | (21) | **(98)** | (93) |
| Interest related to regulatory assets and regulatory liabilities [1] | **(1)** | (31) | **(3)** | (35) |
| Net interest expense | **48** | 17 | **144** | 86 |

[1] Includes interest to recognize the cost of financing regulatory account balances as authorized by the OEB, and interest costs deferred in certain regulatory accounts.

## 6. SHORT-TERM DEBT

Committed credit facilities and maturity dates as at September 30, 2024 were as follows:

| *(millions of dollars)* | | Amount | Maturity |
|---|---|---|---|
| **Bank facilities:** | | | |
| Corporate | | **1,341** | September 2027 and May 2029 [1] |
| Corporate | US Dollars | **750** | November 2024 [2] |
| Lower Mattagami Energy Limited Partnership | | **460** | June 2029 [3] |
| OPG Eagle Creek Holdings LLC and subsidiaries | US Dollars | **20** | October 2028 |
| Ontario Electricity Financial Corporation facility | | **750** | December 2026 [4] |

[1] Represents amounts available under the facility net of debt issuances. Of the total credit facilities, $341 million is expected to mature in September 2027 and is available to finance certain expenditures of the Darlington New Nuclear Project (DNNP), subject to certain conditions, and $1,000 million matures in May 2029.
[2] The facility has a one-year extension option beyond the maturity date of November 2024.
[3] A letter of credit of $60 million was outstanding under this facility as at September 30, 2024.
[4] Represents amounts available under the facility, net of debt issuances.

Short-term debt consists of the following:

| **As at**<br>*(millions of dollars)* | September 30<br>2024 | December 31<br>2023 |
|---|---|---|
| Lower Mattagami Energy Limited Partnership | **215** | 200 |
| Corporate commercial paper | **150** | - |
| Total short-term debt | **365** | 200 |

As of September 30, 2024, a total of $496 million of letters of credit had been issued (December 31, 2023 – $525 million). As of September 30, 2024, this included $308 million for the supplementary pension plans, $60 million for Lower Mattagami Energy Limited Partnership, $52 million for general corporate purposes, $43 million for Atura Power, $17 million for Eagle Creek and its subsidiaries, $15 million for UMH Energy Partnership, and $1 million for PSS Generating Station Limited Partnership.

For the nine months ended September 30, 2024, net issuances of short-term debt totalled $165 million (September 30, 2023 – $95 million), which comprised issuances of $2,360 million (September 30, 2023 – $725 million) and repayments of $2,195 million (September 30, 2023 – $630 million).

The weighted average interest rate on the short-term debt as at September 30, 2024 is 4.44 percent (December 31, 2023 – 5.29 percent).

## 7. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT LIABILITIES

Liabilities for fixed asset removal and nuclear waste management on a present value basis consist of the following:

| **As at**<br>*(millions of dollars)* | **September 30<br>2024** | **December 31<br>2023** |
|---|---|---|
| Liability for used nuclear fuel management | **16,046** | 15,623 |
| Liability for nuclear decommissioning and nuclear low and intermediate level waste management | **9,743** | 9,493 |
| Liability for non-nuclear fixed asset removal | **275** | 270 |
| Fixed asset removal and nuclear waste management liabilities | **26,064** | 25,386 |

## 8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the balance of each component of accumulated other comprehensive income (loss) (AOCI), net of income taxes, were as follows:

| | **Nine Months Ended September 30, 2024** | | | |
|---|---|---|---|---|
| *(millions of dollars)* | **Unrealized Gains and Losses on Cash Flow Hedges** | **Pension and OPEB** | **Currency Translation Adjustment** | **Total** |
| Balance, beginning of period | **9** | **(33)** | **9** | **(15)** |
| Net gain on cash flow hedges | **8** | **-** | **-** | **8** |
| Amounts reclassified from AOCI | **(4)** | **(2)** | **-** | **(6)** |
| Translation of foreign operations | **-** | **-** | **41** | **41** |
| Other comprehensive income (loss) for the period | **4** | **(2)** | **41** | **43** |
| Balance, end of period | **13** | **(35)** | **50** | **28** |

| | **Nine Months Ended September 30, 2023** | | | |
|---|---|---|---|---|
| *(millions of dollars)* | **Unrealized Gains and Losses on Cash Flow Hedges** | **Pension and OPEB** | **Currency Translation Adjustment** | **Total** |
| Balance, beginning of period | (6) | 80 | 54 | 128 |
| Net gain on cash flow hedges | 13 | - | - | 13 |
| Amounts reclassified from AOCI | 3 | (3) | - | - |
| Translation of foreign operations | - | - | (5) | (5) |
| Other comprehensive income (loss) for the period | 16 | (3) | (5) | 8 |
| Balance, end of period | 10 | 77 | 49 | 136 |

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

| (millions of dollars) | Amount Reclassified from AOCI Three Months Ended September 30, 2024 | Amount Reclassified from AOCI Nine Months Ended September 30, 2024 | Statement of Income Line Item |
|---|---|---|---|
| Amortization of amounts related to cash flow hedges | | | |
| Gains | **(2)** | **(5)** | Net interest expense |
| Income tax recovery | **-** | **1** | Income tax expense |
| | **(2)** | **(4)** | |
| Amortization of amounts related to pension and OPEB | | | |
| Net actuarial gains, net of past service costs | **(1)** | **(2)** | See (1) below |
| Income tax recovery | **-** | **-** | Income tax expense |
| | **(1)** | **(2)** | |
| Total reclassifications for the period | **(3)** | **(6)** | |

| (millions of dollars) | Amount Reclassified from AOCI Three Months Ended September 30, 2023 | Amount Reclassified from AOCI Nine Months Ended September 30, 2023 | Statement of Income Line Item |
|---|---|---|---|
| Amortization of amounts related to cash flow hedges | | | |
| Losses | 2 | 4 | Net interest expense |
| Income tax expense | (1) | (1) | Income tax expense |
| | 1 | 3 | |
| Amortization of amounts related to pension and OPEB | | | |
| Actuarial gains and past service credits | (1) | (4) | See (1) below |
| Income tax recovery | - | 1 | Income tax expense |
| | (1) | (3) | |
| Total reclassifications for the period | - | - | |

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

Existing pre-tax net losses for derivatives of nil deferred in AOCI as at September 30, 2024 are expected to be reclassified to net income within the next 12 months.

## 9. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

OPG's pension and other post-employment benefit (OPEB) costs for the three months ended September 30, 2024 and 2023 were as follows:

| | Registered Pension Plans | | Supplementary Pension Plans | | Other Post-Employment Benefits | |
|---|---|---|---|---|---|---|
| *(millions of dollars)* | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** |
| *Components of Cost Recognized for the Year* | | | | | | |
| Current service costs | **76** | 46 | **2** | 1 | **24** | 16 |
| Interest on projected benefit obligation | **197** | 196 | **5** | 4 | **33** | 32 |
| Expected return on plan assets, net of expenses | **(257)** | (250) | **-** | - | **-** | - |
| Amortization of past service (credits) costs [1] | **(1)** | - | **-** | - | **1** | - |
| Amortization of net actuarial loss (gain) [1] | **-** | - | **1** | - | **(7)** | (13) |
| Costs recognized [2] | **15** | (8) | **8** | 5 | **51** | 35 |

[1] The net impact of amortization of past service (credits) costs and net actuarial (gain) loss is recognized as a (decrease) increase to other comprehensive income. This decrease for the three months ended September 30, 2024 was partially offset by an increase in the Pension and OPEB Regulatory Asset of $6 million (three months ended September 30, 2023 – a decrease in the Pension and OPEB Regulatory Liability of $12 million).

[2] The pension and OPEB costs for the three months ended September 30, 2024 exclude the net addition of costs of $17 million resulting from the recognition of changes in the regulatory assets or regulatory liabilities for the Pension & OPEB Cost Variance Account, the Pension & OPEB Cash Versus Accrual Differential Deferral Account and the Pension & OPEB Cash Payment Variance Account (three months ended September 30, 2023 – net addition of costs of $60 million).

OPG's pension and OPEB costs for the nine months ended September 30, 2024 and 2023 were as follows:

| | Registered Pension Plans | | Supplementary Pension Plans | | Other Post-Employment Benefits | |
|---|---|---|---|---|---|---|
| *(millions of dollars)* | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** |
| *Components of cost recognized for the period* | | | | | | |
| Current service costs | **229** | 137 | **6** | 3 | **74** | 48 |
| Interest on projected benefit obligation | **593** | 589 | **13** | 12 | **98** | 96 |
| Expected return on plan assets, net of expenses | **(773)** | (750) | **-** | - | **-** | - |
| Amortization of past service (credits) costs [1] | **(1)** | (1) | **-** | - | **2** | - |
| Amortization of net actuarial loss (gain) [1] | **-** | - | **3** | - | **(22)** | (39) |
| Costs recognized [2] | **48** | (25) | **22** | 15 | **152** | 105 |

[1] The net impact of amortization of past service (credits) costs and net actuarial (gain) loss is recognized as a (decrease) increase to other comprehensive income. This decrease for the nine months ended September 30, 2024 was partially offset by an increase in the Pension and OPEB Regulatory Asset of $17 million (nine months ended September 30, 2023 – a decrease in the Pension and OPEB Regulatory Liability of $36 million).

[2] The pension and OPEB costs for the nine months ended September 30, 2024 exclude the net addition of costs of $51 million resulting from the recognition of changes in the regulatory assets or regulatory liabilities for the Pension and OPEB Cost Variance Account, the Pension & OPEB Cash Versus Accrual Differential Deferral Account and the Pension & OPEB Cash Payment Variance Account (nine months ended September 30, 2023 – net addition of costs of $178 million).

## 10. RISK MANAGEMENT AND DERIVATIVES

OPG is exposed to risks related to changes in market interest rates on debt, movements in foreign currency that affect the Company's assets, liabilities and forecasted transactions, and fluctuations in commodity prices. Select derivative instruments are used to manage such risks. Derivatives are used as hedging instruments, as well as for trading purposes.

### Interest Rates

Interest rate risk is the risk that the value of assets and liabilities can change due to movements in interest rates. Interest rate risk for OPG arises with the need to refinance existing debt or undertake new financing. The management of these risks includes using derivatives to hedge the exposure in accordance with corporate risk management policies. OPG periodically uses interest rate swap agreements to mitigate elements of interest rate risk exposure associated with anticipated financing.

### Foreign Exchange

OPG's financial results are exposed to volatility in the Canadian/US foreign exchange rate as debt issuances, fuels and certain materials and services purchased for generating stations and major development projects may be denominated in, or tied to, US dollars. To manage this risk, the Company employs various financial instruments such as forwards and other derivative contracts, in accordance with approved corporate risk management policies. Additionally, volatility in the Canadian/US foreign exchange rate also impacts OPG's financial results from certain of its subsidiaries, whose operations are based exclusively in the US.

### Commodity Prices

OPG is exposed to fluctuations in commodity prices. Changes in the market prices of nuclear fuels, oil, gas and biomass used to produce electricity can adversely impact OPG's earnings and cash flow from operations. To manage the risk of unpredictable increases in the price of fuels, the Company has fuel hedging programs, which include using fixed price and indexed contracts.

A number of OPG's hydroelectric facilities in the US sell energy and capacity into the wholesale electricity market and therefore are subject to volatility of wholesale electricity market pricing. Although revenue from these facilities represents a small portion of OPG's overall revenue, the Company may enter into derivative instruments from time to time to further mitigate this risk.

### Credit

The Company's credit risk exposure is primarily a function of its electricity and other sales. The majority of OPG's revenue is derived from electricity sales through the IESO administered market. Market participants in the IESO market provide collateral in accordance with the IESO prudential support requirements to cover funds that they might owe to the market. Although the credit exposure to the IESO represents a significant portion of OPG's accounts receivable, the risk is considered acceptable due to the IESO's primary role in the Ontario electricity market. The remaining receivables exposure is to a diverse group of generally high-quality counterparties. OPG's allowance for doubtful accounts was $1 million as at September 30, 2024 and December 31, 2023.

The fair value of the derivative instruments totalled a net asset of $2 million as at September 30, 2024 (December 31, 2023 − net liability of $6 million).

## 11. FAIR VALUE MEASUREMENTS

OPG is required to classify fair value measurements using a fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels, based on the inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Valuation of inputs is based on unadjusted quoted market prices observed in active markets for identical assets or liabilities.
- Level 2: Valuation is based on inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Valuation is based on inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices as at the interim consolidated balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by OPG is the current bid price. These instruments are included in Level 1 and consist primarily of equity investments and fund investments.

For financial instruments for which quoted market prices are not directly available, fair values are estimated using forward price curves developed from observable market prices or rates. The estimation of fair value may include the use of valuation techniques or models, based wherever possible on assumptions supported by observable market prices or rates prevailing as at the interim consolidated balance sheet dates. This is the case for over-the-counter derivatives and securities, which include energy commodity derivatives, foreign exchange derivatives, interest rate swap derivatives and fund investments. Various other fund investments are valued at the unit values supplied by the fund administrators. The unit values represent the underlying net assets at fair values, determined using closing market prices. Valuation models use general assumptions and market data and, therefore, do not reflect the specific risks and other factors that would affect a particular instrument's fair value. The methodologies used for calculating the fair value adjustments are reviewed on an ongoing basis to ensure that they remain appropriate. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques are used to value these instruments. Significant Level 3 inputs include recent comparable transactions, comparable benchmark information, bid/ask spread of similar transactions and other relevant factors.

A summary of OPG's financial instruments and their fair value as at September 30, 2024 and December 31, 2023 was as follows:

| | Fair Value | | Carrying Value [1] | | |
|---|---|---|---|---|---|
| *(millions of dollars)* | **2024** | **2023** | **2024** | **2023** | **Balance Sheet Line Item** |
| Nuclear Segregated Funds (includes current portion) [2] | **22,196** | 21,563 | **22,196** | 21,563 | Nuclear fixed asset removal and nuclear waste management funds |
| Loan receivable – from Fair Hydro Trust | **838** | 817 | **903** | 905 | Loan receivable |
| Investment in Hydro One Limited Shares | **169** | 164 | **169** | 164 | Equity securities |
| Payable related to cash flow hedges | **-** | (1) | **-** | (1) | Long-term accounts payable and accrued charges |
| Long-term debt (includes current portion) | **(11,061)** | (9,793) | **(11,548)** | (10,342) | Long-term debt |
| Other financial instruments | **147** | 107 | **147** | 107 | Various |

[1] The carrying values of other financial instruments included in cash and cash equivalents, receivables from related parties, other current assets, short-term debt, and accounts payable, accrued charges and other payables approximate their fair values due to the immediate or short-term maturity of these financial instruments.

[2] The Nuclear Segregated Funds are comprised of the Decommissioning Segregated Fund and the Used Fuel Segregated Fund. OPG's fair value of the Nuclear Segregated Funds is set not to exceed an amount equal to the funding liability pursuant to the Ontario Nuclear Funds Agreement when the Nuclear Segregated Funds are in a surplus position.

The fair value of OPG's long-term debt issued under the Medium Term Note Program is based on indicative pricing from the market. The fair value of these debt instruments is based on Level 2 inputs. The fair value of all other long-term debt instruments is determined based on a conventional pricing model, which is a function of future cash flows, the current market yield curve and term to maturity. These inputs are considered Level 2 inputs.

The following tables present financial assets and financial liabilities measured at fair value in accordance with the fair value hierarchy:

| **As at** *(millions of dollars)* | **September 30, 2024** **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| *Used Fuel Segregated Fund* | | | | |
| Investments measured at fair value, excluding investments measured at NAV | **7,125** | **6,438** | **-** | **13,563** |
| Investments measured at NAV [1] | | | | **4,450** |
| | | | | **18,013** |
| Due to Province | | | | **(5,402)** |
| Used Fuel Segregated Fund, net | | | | **12,611** |
| *Decommissioning Segregated Fund* | | | | |
| Investments measured at fair value, excluding investments measured at NAV | **5,507** | **4,903** | **-** | **10,410** |
| Investments measured at NAV [1] | | | | **3,488** |
| | | | | **13,898** |
| Due to Province | | | | **(4,313)** |
| Decommissioning Segregated Fund, net | | | | **9,585** |
| Equity securities | **169** | **-** | **-** | **169** |
| Other financial assets | **79** | **-** | **91** | **170** |
| **Liabilities** | | | | |
| Other financial liabilities | **(23)** | **-** | **-** | **(23)** |

| **As at** *(millions of dollars)* | **December 31, 2023** **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| *Used Fuel Segregated Fund* | | | | |
| Investments measured at fair value, excluding investments measured at NAV | 6,130 | 6,083 | - | 12,213 |
| Investments measured at NAV [1] | | | | 4,277 |
| | | | | 16,490 |
| Due to Province | | | | (4,232) |
| Used Fuel Segregated Fund, net | | | | 12,258 |
| *Decommissioning Segregated Fund* | | | | |
| Investments measured at fair value, excluding investments measured at NAV | 4,745 | 4,627 | - | 9,372 |
| Investments measured at NAV [1] | | | | 3,341 |
| | | | | 12,713 |
| Due to Province | | | | (3,408) |
| Decommissioning Segregated Fund, net | | | | 9,305 |
| Equity securities | 164 | - | - | 164 |
| Other financial assets | 71 | 4 | 82 | 157 |
| **Liabilities** | | | | |
| Other financial liabilities | (48) | (1) | (1) | (50) |

[1] Represents investments measured at fair value using NAV as a practical expedient, which have not been classified in the fair value hierarchy. The fair value amounts for these investments presented in this table are intended to permit the reconciliation of the fair value hierarchy to amounts presented on the interim consolidated balance sheets.

During the nine months ended September 30, 2024, there were no transfers between Level 1 and Level 2 and into or out of Level 3.

The changes in the net assets measured at fair value that are classified as Level 3 financial instruments for the nine months ended September 30, 2024 were as follows:

| *(millions of dollars)* | **Other financial instruments** |
|---|---|
| Opening balance, January 1, 2024 | **81** |
| Realized losses included in revenue | **(3)** |
| Unrealized gains included in revenue | **5** |
| Purchases | **8** |
| Closing balance, September 30, 2024 | **91** |

### Investments Measured at Net Asset Value

Nuclear Segregated Funds

Nuclear Segregated Funds' investments classified as Level 3 consist of real estate, infrastructure, and agriculture investments within the alternative investment portfolio. The fair value of these investments is determined using financial information as provided by the general partners of the limited partnership funds in which the Nuclear Segregated Funds are invested. Direct investments are valued using appropriate valuation techniques, such as recent arm's-length market transactions, references to current fair values of other instruments that are substantially the same, discounted cash flow analyses, third-party independent appraisals, valuation multiples, or other valuation methods. Any control, size, liquidity or other discount premiums on the investments are considered in the determination of fair value.

The process of valuing investments for which no published market price exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for these investments. The values may also differ from the prices at which the investments may be sold.

The classes of investments within the Nuclear Segregated Funds that are reported on the basis of Net Asset Value (NAV) as at September 30, 2024 were as follows:

| *(millions of dollars except where noted)* | **Fair Value** | **Unfunded Commitments** | **Redemption Frequency** | **Redemption Notice** |
|---|---|---|---|---|
| Alternative Investments | | | | |
| Infrastructure | **4,304** | **1,447** | **n/a** | **n/a** |
| Real Estate | **3,187** | **1,266** | **n/a** | **n/a** |
| Private Debt | **100** | **441** | **n/a** | **n/a** |
| Other | **347** | **13** | **n/a** | **n/a** |
| Pooled Funds | | | | |
| Fixed Income | **2,392** | **n/a** | **Daily** | **1-5 days** |
| Equity | **1,058** | **n/a** | **Daily** | **1-5 days** |
| Total | **11,388** | **3,167** | | |

The fair value of the pooled funds is classified as Level 2. Infrastructure, real estate, private debt and other investments are measured using NAV as a practical expedient for determining their fair value.

## 12. COMMITMENTS AND CONTINGENCIES

### Litigation

Various legal proceedings are pending against OPG or its subsidiaries covering a wide range of matters that arise in the ordinary course of business activities. Each of these matters are subject to various uncertainties. Some of these matters may be resolved unfavourably. While it is not possible to determine the ultimate outcome of the various pending actions, it is the Company's belief that their resolution is not likely to have a material adverse impact on its interim consolidated financial position.

### Guarantees

As at September 30, 2024, the total amount of guarantees provided by OPG was $32 million (December 31, 2023 – $32 million). As at September 30, 2024, the potential impact of the fair value of the outstanding guarantees to income is $1 million and OPG does not expect to make any payments associated with these guarantees.

### Contractual Obligations

OPG's contractual obligations as at September 30, 2024 were as follows:

| *(millions of dollars)* | **2024 [1]** | **2025** | **2026** | **2027** | **2028** | **Thereafter** | **Total** |
|---|---|---|---|---|---|---|---|
| Fuel supply agreements | 19 | 216 | 186 | 173 | 137 | 441 | 1,172 |
| Contributions to the OPG registered pension plan [2] | 84 | 212 | 218 | - | - | - | 514 |
| Long-term debt repayment | 2 | 591 | 674 | 530 | 252 | 9,541 | 11,590 |
| Interest on long-term debt | 121 | 435 | 418 | 408 | 388 | 5,508 | 7,278 |
| Short-term debt repayment | 365 | - | - | - | - | - | 365 |
| Commitments related to Darlington Refurbishment project and DNNP [3] | 357 | - | - | - | - | - | 357 |
| Commitments related to Atura Power development projects [3] | 126 | 395 | 122 | - | 16 | - | 659 |
| Operating licences | 15 | 54 | 51 | 41 | 39 | 84 | 284 |
| Operating lease obligations | 15 | 15 | 14 | 11 | 4 | 34 | 93 |
| Accounts payable, accrued charges and other payables *(current and long-term portions)* | 1,819 | 23 | 9 | 10 | 10 | 288 | 2,159 |
| Other | 35 | 42 | 67 | 46 | 31 | 95 | 316 |
| Total | 2,958 | 1,983 | 1,759 | 1,219 | 877 | 15,991 | 24,787 |

[1] Represents amounts for the remainder of the year.

[2] The pension contributions include ongoing funding requirements in accordance with the actuarial valuation of the OPG registered pension plan as at January 1, 2024. The next actuarial valuation of the OPG registered pension plan must have an effective date no later than January 1, 2027. The pension contributions are affected by various factors including market performance, changes in actuarial assumptions, plan experience, changes in the pension regulatory environment and the timing of funding valuations. Funding requirements after January 1, 2027 are excluded due to significant variability in the assumptions required to project the timing of future cash flows. The amount of OPG's additional, voluntary contribution, if any, is revisited from time to time.

[3] Represents estimated currently committed costs to close the projects, including accruals for completed work, demobilization of project staff and cancellation of existing contracts and material orders.

Contractual and commercial commitments as noted exclude certain purchase orders, as they represent purchase authorizations rather than legally binding contracts, and are subject to change without significant penalties.

Collective Bargaining Agreements

The two-year collective agreement between the Power Workers' Union (PWU) and OPG expired on March 31, 2024. The parties reached a tentative renewal agreement on August 7, 2024, which was not ratified by the PWU membership. In October 2024, the parties reached a new tentative renewal agreement, which is subject to a ratification vote by the PWU membership. The PWU bargaining unit represents approximately 50 percent of OPG's workforce.

Construction work in Ontario is performed through craft unions with established bargaining rights at OPG facilities. These bargaining rights are established either through the Electrical Power Systems Construction Association (EPSCA) or directly with OPG or its wholly-owned subsidiaries. The associated collective agreements are negotiated either directly between the parties or through the EPSCA, as applicable. One such agreement expired on April 30, 2023 and was renewed in March 2024 for a two-year term, covering the period from May 1, 2023 to April 30, 2025.

## 13. BUSINESS SEGMENTS

| **Segment Income (Loss) For the Three Months Ended September 30, 2024** *(millions of dollars)* | Regulated | | | Unregulated | | | | |
|---|---|---|---|---|---|---|---|---|
| | Nuclear Generation | Nuclear Sustainability Services | Hydroelectric Generation | Contracted Hydroelectric and Other Generation | Atura Power | Other | Elimination | Total |
| Revenue | 1,070 | - | 373 | 186 | 235 | 3 | - | 1,867 |
| Leasing revenue | 7 | - | - | - | - | 1 | - | 8 |
| Other revenue | - | 54 | - | 1 | - | 38 | (77) | 16 |
| Total revenue | 1,077 | 54 | 373 | 187 | 235 | 42 | (77) | 1,891 |
| Fuel expense | 72 | - | 83 | 14 | 98 | - | - | 267 |
| Gross margin | 1,005 | 54 | 290 | 173 | 137 | 42 | (77) | 1,624 |
| Operations, maintenance and administration expenses | 580 | 54 | 102 | 72 | 23 | 21 | (77) | 775 |
| Depreciation and amortization expenses | 176 | - | 67 | 41 | 30 | 17 | - | 331 |
| Accretion on fixed asset removal and nuclear waste management liabilities | - | 301 | - | 2 | - | - | - | 303 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | - | (277) | - | - | - | - | - | (277) |
| Property taxes | 6 | - | - | 5 | - | 1 | - | 12 |
| Other losses (gains) | 2 | - | 1 | (1) | - | (25) | - | (23) |
| Income (loss) before interest and income taxes | 241 | (24) | 120 | 54 | 84 | 28 | - | 503 |
| Net interest expense | | | | | | | | 48 |
| **Income before income taxes** | | | | | | | | 455 |
| Income tax expense | | | | | | | | 72 |
| **Net income** | | | | | | | | 383 |

| **Segment Income (Loss) For the Three Months Ended September 30, 2023** *(millions of dollars)* | **Regulated** | | | **Unregulated** | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Nuclear Generation** | **Nuclear Sustainability Services** | **Hydroelectric Generation** | **Contracted Hydroelectric and Other Generation** | **Atura Power** | **Other** | **Elimination** | **Total** |
| Revenue | 1,093 | - | 343 | 187 | 237 | 7 | - | 1,867 |
| Leasing revenue | 7 | - | - | - | - | 2 | - | 9 |
| Other revenue | - | 50 | - | - | - | 27 | (71) | 6 |
| Total revenue | 1,100 | 50 | 343 | 187 | 237 | 36 | (71) | 1,882 |
| Fuel expense | 71 | - | 86 | 17 | 102 | - | - | 276 |
| Gross margin | 1,029 | 50 | 257 | 170 | 135 | 36 | (71) | 1,606 |
| Operations, maintenance and administration expenses | 546 | 50 | 98 | 59 | 18 | 23 | (71) | 723 |
| Depreciation and amortization expenses | 125 | - | 45 | 42 | 29 | 21 | - | 262 |
| Accretion on fixed asset removal and nuclear waste management liabilities | - | 293 | - | 2 | 1 | - | - | 296 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | - | (267) | - | - | - | - | - | (267) |
| Property taxes | 6 | - | - | 7 | - | - | - | 13 |
| Other losses | - | - | 3 | - | - | 13 | - | 16 |
| Income (loss) before interest and income taxes | 352 | (26) | 111 | 60 | 87 | (21) | - | 563 |
| Net interest expense | | | | | | | | 17 |
| **Income before income taxes** | | | | | | | | 546 |
| Income tax expense | | | | | | | | 97 |
| **Net income** | | | | | | | | 449 |

| **Segment Income (Loss)**<br>**For the Nine Months Ended**<br>**September 30, 2024**<br>*(millions of dollars)* | **Regulated**<br>**Nuclear Generation** | **Regulated**<br>**Nuclear Sustainability Services** | **Regulated**<br>**Hydroelectric Generation** | **Unregulated**<br>**Contracted Hydroelectric and Other Generation** | **Unregulated**<br>**Atura Power** | **Unregulated**<br>**Other** | **Elimination** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Revenue | 2,836 | - | 1,160 | 601 | 642 | 12 | - | 5,251 |
| Leasing revenue | 21 | - | - | - | - | 4 | - | 25 |
| Other revenue | - | 134 | - | 8 | - | 134 | (203) | 73 |
| Total revenue | 2,857 | 134 | 1,160 | 609 | 642 | 150 | (203) | 5,349 |
| Fuel expense | 216 | - | 241 | 40 | 263 | - | - | 760 |
| Gross margin | 2,641 | 134 | 919 | 569 | 379 | 150 | (203) | 4,589 |
| Operations, maintenance and administration expenses | 1,877 | 134 | 306 | 223 | 73 | 75 | (203) | 2,485 |
| Depreciation and amortization expenses | 494 | - | 160 | 134 | 90 | 57 | - | 935 |
| Accretion on fixed asset removal and nuclear waste management liabilities | - | 906 | - | 6 | 1 | 1 | - | 914 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | - | (822) | - | - | - | - | - | (822) |
| Property taxes | 19 | - | 1 | 14 | 1 | 1 | - | 36 |
| Other losses (gains) | 6 | - | 6 | (5) | - | (12) | - | (5) |
| Income (loss) before interest and income taxes | 245 | (84) | 446 | 197 | 214 | 28 | - | 1,046 |
| Net interest expense | | | | | | | | 144 |
| **Income before income taxes** | | | | | | | | 902 |
| Income tax expense | | | | | | | | 128 |
| **Net income** | | | | | | | | 774 |

| **Segment Income (Loss) For the Nine Months Ended September 30, 2023** *(millions of dollars)* | **Regulated** | | | **Unregulated** | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Nuclear Generation** | **Nuclear Sustainability Services** | **Hydroelectric Generation** | **Contracted Hydroelectric and Other Generation** | **Atura Power** | **Other** | **Elimination** | **Total** |
| Revenue | 3,159 | - | 1,120 | 590 | 574 | 20 | - | 5,463 |
| Leasing revenue | 20 | - | - | - | - | 4 | - | 24 |
| Other revenue | - | 171 | - | 20 | - | 91 | (229) | 53 |
| Total revenue | 3,179 | 171 | 1,120 | 610 | 574 | 115 | (229) | 5,540 |
| Fuel expense | 205 | - | 238 | 45 | 214 | - | - | 702 |
| Gross margin | 2,974 | 171 | 882 | 565 | 360 | 115 | (229) | 4,838 |
| Operations, maintenance and administration expenses | 1,774 | 171 | 288 | 199 | 56 | 60 | (229) | 2,319 |
| Depreciation and amortization expenses | 385 | - | 135 | 123 | 88 | 56 | - | 787 |
| Accretion on fixed asset removal and nuclear waste management liabilities | - | 876 | - | 6 | 2 | 1 | - | 885 |
| Earnings on nuclear fixed asset removal and nuclear waste management funds | - | (789) | - | - | - | - | - | (789) |
| Property taxes | 18 | - | - | 15 | 2 | 1 | - | 36 |
| Other losses (gains) | - | - | 6 | (3) | - | (14) | - | (11) |
| Income (loss) before interest and income taxes | 797 | (87) | 453 | 225 | 212 | 11 | - | 1,611 |
| Net interest expense | | | | | | | | 86 |
| **Income before income taxes** | | | | | | | | 1,525 |
| Income tax expense | | | | | | | | 220 |
| **Net income** | | | | | | | | 1,305 |

## 14. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

| *(millions of dollars)* | Nine Months Ended September 30 2024 | 2023 |
|---|---|---|
| Receivables from related parties | **39** | (91) |
| Fuel Inventory | **(2)** | (59) |
| Materials and supplies | **(1)** | 20 |
| Prepaid expenses | **(25)** | (22) |
| Other current assets | **(5)** | 192 |
| Accounts payable, accrued charges and other payables | **(1)** | (172) |
| Net changes to non-cash working capital balances | **5** | (132) |

## 15. SALE OF ASSETS

In July 2023, Eagle Creek entered into agreements to sell 22 hydroelectric generating stations in the US with a total capacity of approximately 47 megawatts across a number of regions, along with two storage reservoirs in the Mid-Western US. While the transaction was being negotiated and closed, the assets were no longer depreciated or amortized, and were held within other current assets on the interim consolidated balance sheets within the Contracted Hydroelectric and Other Generation business segment.

In June 2024, the transaction was terminated. Following the termination, the criteria for classifying these assets as held for sale were no longer met, and, during the second of quarter of 2024, the assets were reclassified to PP&E and intangible assets on the interim consolidated balance sheets. The assets' net book values have been adjusted for depreciation and amortization expense that would have been recognized had the assets continued to be classified as PP&E and intangible assets during the period that they were considered held for sale. The assets continue to be valued at the lower of carrying value and fair value.