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May 9, 2023

OPG REPORTS 2023 FIRST QUARTER FINANCIAL RESULTS

OPG continues to lead the way on clean nuclear and hydroelectric energy projects; Significant milestone achieved on Darlington's Unit 3

Toronto – Ontario Power Generation Inc. (OPG or Company) today reported its financial and operating results for the first quarter of 2023, with net income attributable to the Shareholder of $429 million, compared to $503 million for the same period last year.

First quarter highlights include:

Darlington's Unit 3 to reconnect to Ontario's grid ahead of schedule

"The team has completed the construction phase of Darlington Unit 3's refurbishment and begun the work to restart the reactor and reconnect it to Ontario's grid later this year to provide 30 more years of clean, safe electricity," said OPG President and CEO Ken Hartwick. "Meanwhile, we have begun reassembling Unit 1, the third of four units being refurbished. Well past the half-way point, this refurbishment project remains on track, a testament to our vendors and OPG's strong project management skills."

Small Modular Reactor Technical Collaboration Agreement

OPG joined GE Hitachi Nuclear Energy (GE-Hitachi), the Tennessee Valley Authority and Poland's Synthos Green Energy S.A in a technical collaboration agreement through which the four companies will invest in the development of the BWRX-300 small modular reactor (SMR) standard design and detailed design for key components, including the reactor pressure vessel. This sets the stage for the BWRX-300 design to be licensed and deployed in Canada, the United States, Poland and beyond.

Also, during the quarter, OPG announced an integrated project delivery model through which OPG, GE-Hitachi, SNC-Lavalin Group Inc. and Aecon Group Inc. will deploy the first SMR at the Darlington New Nuclear Project site using the BWRX-300 technology.

"This international collaboration advances the work necessary to efficiently develop the next generation of nuclear power," said Hartwick. "OPG is proud to lead the way on SMR deployment: we have already begun site preparation for North America's first grid-scale SMR at Darlington with the right team in place to complete construction in 2028."

Investing in new and existing hydroelectric generation

Ontario's electrification and growth mean significantly increased forecasted demand for electricity. To help meet this growing demand, OPG continues to invest in upgrading and optimizing existing hydroelectric assets. OPG is also looking ahead: in response to a request from the Province of Ontario, OPG released a report which showed that as much as 4,000 megawatts of new, clean hydroelectric generation could be built in northern Ontario.

"Unlocking northern Ontario's potential hydroelectric generation is a clean, reliable, made-in-Ontario solution that will benefit the region's economy and help meet the province's growing electricity needs," said Hartwick. "We will continue to engage and consult with Indigenous communities on potential projects and discuss opportunities for partnerships ahead of advancing much-needed new generation."

Net income attributable to the Shareholder

Net income attributable to the Shareholder decreased during the first quarter of 2023 compared to the same period in 2022. The expected decrease was primarily a result of lower earnings from the Regulated – Nuclear Generation business segment driven by lower electricity generation due to the refurbishment of Darlington nuclear generation station's (Darlington GS) Unit 1, which began in February 2022, partially offset by a higher base regulated price for OPG's nuclear generation. The decrease was partially offset by lower income tax expense for the first quarter of 2023 compared to the same period in 2022, as a result of lower income before taxes.

Generating and Operating Performance

Electricity generated in the first quarter of 2023 was 19.7 terawatt hours (TWh) compared to 21.2 TWh for the same period in 2022. The decrease in generation was due to lower electricity generated from the Regulated – Nuclear Generation and Atura Power business segments, partially offset by an increase in electricity generation from the Company's hydroelectric assets in Ontario.

Regulated – Nuclear Generation Segment

Electricity generation from the regulated nuclear stations decreased by 1.6 TWh during the first quarter of 2023, compared to the same quarter in 2022. The decrease was primarily due to the planned removal from service of Darlington GS Unit 1 for the duration of the unit's refurbishment, which began in February 2022, and a higher number of planned and unplanned outage days at the Pickering nuclear generating station (Pickering GS).

The unit capability factor at the Darlington GS was 99.8 per cent for the first quarter of 2023 which was comparable to 99.9 per cent for the same quarter in 2022. The unit capability factor at the Pickering GS decreased to 74.6 per cent for the first quarter of 2023, compared to 83.5 per cent for the same quarter in 2022, due to higher planned and unplanned outage days. The nuclear unit capability factor excludes Darlington GS units that are undergoing refurbishment.

Regulated – Hydroelectric Generation Segment

Electricity generation from the regulated hydroelectric stations increased by 0.3 TWh during the first quarter of 2023, compared to the same quarter in 2022, primarily due to higher water flows across Ontario.

Availability at the regulated hydroelectric stations increased to 89.1 per cent for the first quarter of 2023, compared to 88.6 per cent for the same quarter in 2022. The marginal increase was due to fewer unplanned outages at the regulated hydroelectric stations in the Niagara Region.

Contracted Hydroelectric and Other Generation Segment

Electricity generation from the Contracted Hydroelectric and Other Generation business segment increased by 0.5 TWh in the first quarter of 2023 compared to the same quarter in 2022, primarily due to higher water flows in Ontario.

Availability of the hydroelectric stations in the business segment increased to 92.4 per cent for the first quarter of 2023, compared to 88.7 per cent for the same quarter in 2022, primarily due to fewer planned and unplanned outages at the Lower Mattagami hydroelectric generating stations in Ontario.

Atura Power Segment

Electricity generation from the combined cycle plants decreased by 0.7 TWh during the first quarter of 2023, compared to the same quarter in 2022, primarily due to the impact of lower demand for electricity generation from combined cycle plants as a result of milder weather during the winter of 2023.

Thermal Availability for the business segment decreased to 90.4 per cent as at March 31, 2023, from 92.7 per cent as at March 31, 2022, primarily due to planned outages at the Napanee generating station and the Portlands Energy Centre.

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 first quarter of 2023 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 3 is currently in the final major segment and is progressing towards its expected return to service in the third quarter of 2023, ahead of schedule. Reactor construction work, reconnection of Unit 3 to station containment, and vault restoration work have been completed, leading to unit start up activities in May 2023.

In April 2023, the Disassembly segment of the Unit 1 refurbishment has been completed with the completion of the removal of fuel channel assemblies. The Unit 1 refurbishment has now transitioned into the third major segment, Reassembly, which includes the installation and reassembly of reactor components. Additionally, during the first quarter of 2023, the upper and middle feeder installation series commenced.

Planning and pre-requisite activities for the last unit to undergo refurbishment, Unit 4, are progressing as planned. The refurbishment of Unit 4 is expected to commence during the second half of 2023.

OPG continues to assess and seek ways to manage the impact of the COVID-19 pandemic on the total cost of the project, 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 months ended March 31, 2023 section, *Core Business and Outlook* under the heading, *Project Excellence*.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(millions of dollars – except where noted)	Three Months Ended March 31 2023	2022
Revenue	**1,830**	1,958
Fuel expense	**210**	246
Operations, maintenance and administration expenses	**749**	717
Depreciation and amortization expenses	**263**	276
Accretion on fixed asset removal and nuclear waste management liabilities	**295**	286
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(259)**	(258)
Other net expenses	**12**	10
Earnings before interest and income taxes	**560**	681
Net interest expense	**36**	50
Income tax expense	**91**	124
Net Income	**433**	507
Net income attributable to the Shareholder	**429**	503
Net income attributable to non-controlling interest [1]	**4**	4
Earnings (loss) before interest and income taxes		
Electricity generating business segments	**605**	711
Regulated – Nuclear Sustainability Services	**(33)**	(25)
Other	**(12)**	(5)
Earnings before interest and income taxes	**560**	681
Cash flow provided by operating activities	**502**	860
Capital expenditures [2]	**543**	514
Electricity generation (TWh)		
Regulated – Nuclear Generation	**8.6**	10.2
Regulated – Hydroelectric Generation	**8.3**	8.0
Contracted Hydroelectric and Other Generation [3]	**1.5**	1.0
Atura Power	**1.3**	2.0
Total OPG electricity generation	**19.7**	21.2
Nuclear unit capability factor (per cent) [4]		
Darlington Nuclear GS	**99.8**	99.9
Pickering Nuclear GS	**74.6**	83.5
Availability (per cent)		
Regulated – Hydroelectric Generation	**89.1**	88.6
Contracted Hydroelectric and Other Generation – hydroelectric stations	**92.4**	88.7
Atura Power [5]	**90.4**	92.7
Equivalent forced outage rate (per cent)		
Contracted Hydroelectric and Other Generation – thermal stations	**5.7**	-

[1] Relates to the following: the 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; the 33 per cent interest of Coral Rapids Power Corporation, a corporation wholly owned by the Taykwa Tagamou Nation, in PSS Generating Station Limited Partnership; the 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 land 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-held facilities.

[4] Excludes nuclear units during the period in which they are undergoing refurbishment.

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

About OPG

As a global climate change leader and the largest, most diverse electricity generator in the province of Ontario, OPG and its family of companies are helping lead the charge to a post-carbon economy.

Ontario Power Generation Inc.'s unaudited interim consolidated financial statements and Management's Discussion and Analysis as at and for the three months ended March 31, 2023, can be accessed on OPG's web site (www.opg.com), the Canadian Securities Administrators' web site (www.sedar.com), or can be requested from the Company.

For further information, please contact:

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ONTARIO POWER GENERATION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2023 FIRST QUARTER REPORT

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ONTARIO POWER GENERATION

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. (OPG or Company) as at and for the three months ended March 31, 2023. 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.

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, 2022.

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 2022 annual MD&A. This MD&A is dated May 9, 2023.

Additional information about OPG, including the Company's Annual Information Form, is available on SEDAR at www.sedar.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 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 and the United States of America (United States or US), the continued application and renewal of energy supply agreements (ESAs) 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, 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:

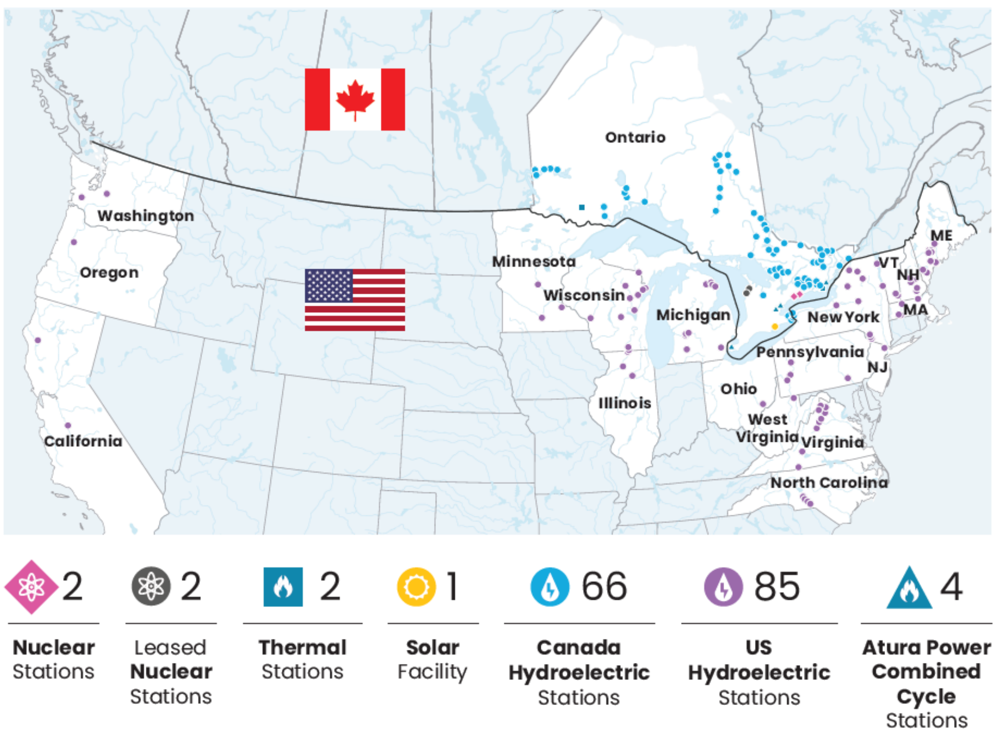
- "Earnings before Interest, Income Taxes, Depreciation and Amortization"; and
- "Gross Margin".

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 18,225 megawatts (MW) as at March 31, 2023.

As at March 31, 2023, 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 March 31, 2023. In addition, OPG owns 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.

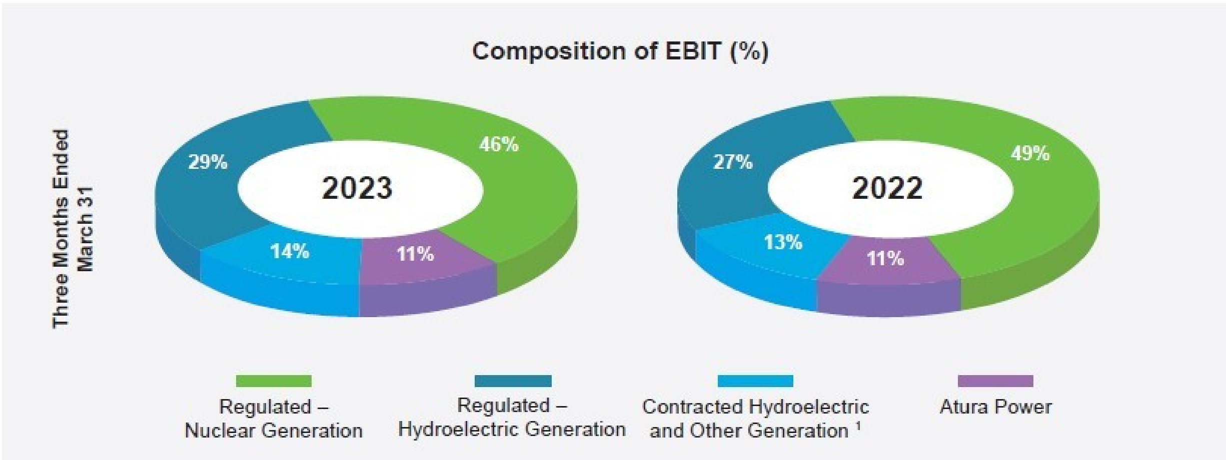
Income from the stations leased to Bruce Power is included in revenue under the Regulated – Nuclear Generation business segment. The leased stations are not included in the Company's electricity generation and other operating statistics set out in this MD&A.

Reporting Structure

The composition of OPG's reportable business segments effective as at March 31, 2023 is as follows:

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

The composition of OPG's earnings before interest and income taxes (EBIT) by electricity generating business segment for the three months ended March 31 was as follows**:**



[1] Includes contracted revenue from hydroelectric generating stations operating under ESAs, with expiration dates ranging from 2059 to 2067.

In-Service Generating Capacity

OPG's in-service generating capacity by business segment as at March 31, 2023 and December 31, 2022 was as follows:

	As At	
(MW)	**March 31 2023**	**December 31 2022**
Regulated – Nuclear Generation [1]	**4,850**	4,850
Regulated – Hydroelectric Generation	**6,555**	6,555
Contracted Hydroelectric and Other Generation [2]	**4,105**	4,105
Atura Power	**2,715**	2,715
Total [3]	**18,225**	18,225

[1] The in-service generating capacity as at March 31, 2023 and December 31, 2022 excludes Unit 1 and Unit 3 of the Darlington GS, which are concurrently undergoing refurbishment. Unit 1 was taken offline in February 2022 and Unit 3 was taken offline in September 2020. Unit 1 and Unit 3 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 months ended March 31, 2023, compared to the same period in 2022. A discussion of OPG's performance by business segment can be found in the section, *Discussion of Operating Results by Business Segment*.

(millions of dollars – except where noted)	**Three Months Ended March 31** **2023**	**2022**
Revenue	**1,830**	1,958
Fuel expense	**210**	246
Operations, maintenance and administration expenses	**749**	717
Depreciation and amortization expenses	**263**	276
Accretion on fixed asset removal and nuclear waste management liabilities	**295**	286
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(259)**	(258)
Other net expenses	**12**	10
Earnings before interest and income taxes	**560**	681
Net interest expense	**36**	50
Income tax expense	**91**	124
Net income	**433**	507
Net income attributable to the Shareholder	**429**	503
Net income attributable to non-controlling interest [1]	**4**	4
Electricity generation (TWh) [2]	**19.7**	21.2
Cash flow		
Cash flow provided by operating activities	**502**	860
Capital expenditures [3]	**543**	514
Earnings (loss) before interest and income taxes by segment		
Regulated – Nuclear Generation	**277**	349
Regulated – Hydroelectric Generation	**177**	193
Contracted Hydroelectric and Other Generation	**84**	89
Atura Power	**67**	80
Total electricity generating business segments	**605**	711
Regulated – Nuclear Sustainability Services	**(33)**	(25)
Other	**(12)**	(5)
Earnings before interest and income taxes	**560**	681

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; the 33 percent interest of Coral Rapids Power Corporation, a corporation wholly owned by the Taykwa Tagamou Nation, in PSS Generating Station Limited Partnership; the 15 percent interest and 5 percent 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 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.

Net income attributable to the Shareholder was $429 million for the first quarter of 2023, representing a decrease of $74 million compared to the same period in 2022.

Earnings before interest and income taxes were $560 million for the first quarter of 2023, representing a decrease of $121 million compared to the same period in 2022.

Significant factors that decreased EBIT:

- Net decrease of $105 million in revenue from the Regulated – Nuclear Generation business segment as a result of lower electricity generation of 1.6 terawatt hours (TWh), partially offset by a higher base regulated price for OPG's nuclear electricity generation (nuclear base regulated price) and higher non-electricity revenue. The lower electricity generation was primarily due to the planned removal from service of Darlington nuclear generating station's (Darlington GS) Unit 1 for the duration of the unit's refurbishment, which began in February 2022, and a higher number of planned and unplanned outage days at the Pickering nuclear generating station (Pickering GS).

Net interest expense decreased by $14 million in the first quarter of 2023, compared to the same period in 2022, primarily due to higher interest earned on the cash and cash equivalent balance.

Income tax expense decreased by $33 million in the first quarter of 2023, compared to the same period in 2022. The decrease was primarily due to lower income before taxes.

Trends

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 OEB-authorized 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 Independent Electricity System Operator (IESO) and other long-term contracts for the contracted generating facilities in Ontario.

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 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.

Electricity Generation

Electricity generation for the three months ended March 31 was as follows:

(TWh)	Three Months Ended March 31 2023	2022
Regulated – Nuclear Generation	**8.6**	10.2
Regulated – Hydroelectric Generation	**8.3**	8.0
Contracted Hydroelectric and Other Generation [1]	**1.5**	1.0
Atura Power	**1.3**	2.0
Total OPG electricity generation	**19.7**	21.2

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

Total OPG electricity generation decreased by 1.5 TWh for the three months ended March 31, 2023 compared to the same period in 2022, due to lower electricity generated from the Regulated – Nuclear Generation and Atura Power business segments, partially offset by an increase in electricity generation from the Company's hydroelectric assets in Ontario.

Electricity generation from the Regulated – Nuclear Generation business segment decreased by 1.6 TWh for the three months ended March 31, 2023 compared to the same period in 2022. The decrease was primarily due to the planned removal from service of Darlington GS Unit 1 for the duration of the unit's refurbishment, which began in February 2022, and a higher number of planned and unplanned outage days at the Pickering GS.

The increase in electricity generation of 0.3 TWh from the Regulated – Hydroelectric Generation business segment for the three months ended March 31, 2023 compared to the same period in 2022 was primarily due to higher water flows across Ontario.

Electricity generation from the Contracted Hydroelectric and Other Generation business segment increased by 0.5 TWh for the three months ended March 31, 2023 compared to the same period in 2022, primarily due to higher water flows in Ontario.

Electricity generation from the Atura Power business segment decreased by 0.7 TWh for the three months ended March 31, 2023 compared to the same period in 2022, primarily due to the impact of lower demand for electricity generation from combined cycle plants as a result of milder weather during the winter of 2023.

Ontario's electricity demand as reported by the IESO, excluding electricity exports out of the province, was 35.6 TWh for the three months ended March 31, 2023, compared to 36.4 TWh for the same period in 2022.

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 higher in the three months ended March 31, 2023, compared to the same period in 2022. Production forgone at OPG's regulated hydroelectric stations due to SBG conditions was 0.3 TWh for the three months ended March 31, 2023 and 0.2 TWh in the same period in 2022. 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 for the three months ended March 31, 2023, was $502 million, compared to $860 million for the same period in 2022. The decrease was primarily due to lower cash receipts from the Regulated – Nuclear Generation business segment reflecting lower nuclear electricity generation revenue and higher cash payments for income taxes.

Capital Expenditures

Capital expenditures were as follows:

	Three Months Ended March 31	
(millions of dollars)	**2023**	**2022**
Regulated – Nuclear Generation – Darlington Refurbishment Project	**225**	231
Regulated – Nuclear Generation – Excluding Darlington Refurbishment Project	**154**	113
Regulated – Hydroelectric Generation	**55**	57
Contracted Hydroelectric and Other Generation	**80**	74
Atura Power	**4**	11
Other [1]	**25**	28
Total capital expenditures [2]	**543**	514

[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 for the three months ended March 31, 2023 increased by $29 million compared to the same period in 2022.

Capital expenditures on the Darlington Refurbishment project were largely consistent year over year reflecting the ongoing parallel refurbishments of Unit 1 and Unit 3 of the Darlington GS.

Excluding the Darlington Refurbishment project, capital expenditures for the Regulated – Nuclear Generation business segment increased by $41 million. The increase was primarily related to Small Modular Reactor (SMR) expenditures at the Darlington New Nuclear Project (DNNP) site and the ongoing work to replace the primary moisture separators, a component of steam generators, at Unit 3 of the Darlington GS.

Capital expenditures for the Regulated – Hydroelectric Generation business segment were comparable year over year.

The increase in capital expenditures for the Contracted Hydroelectric and Other Generation business segment of $6 million was primarily due to higher expenditures on the Smoky Falls Dam Safety project and the replacement of the Unit 3 condenser tubes at the Lennox GS. These increases were largely offset by lower expenditures on the Little Long Dam Safety Project.

Capital expenditures for the Atura Power business segment decreased by $7 million, primarily due to lower expenditures at the Napanee GS.

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 3 is currently in the fourth and final major segment and is progressing towards its expected return to service in the third quarter of 2023, ahead of schedule. Reactor construction work was completed in March 2023, and start-up activities are in progress. The project is working toward the next regulatory approval from the CNSC to proceed with the removal of the Unit 3 Guaranteed Shutdown State, followed by the regulatory approval which will allow OPG to increase reactor power above one percent of full power up to 35 percent of full power. Subsequently, the CNSC's approval will be required to increase reactor power above 35 percent of full power, paving the way for Unit 3 to return to service.

In April 2023, the Darlington Refurbishment project concluded the second major segment of the Unit 1 refurbishment, the Disassembly segment, with the completion of the removal of fuel channel assemblies. The Unit 1 refurbishment has now transitioned into the third major segment, Reassembly, which includes the installation and reassembly of reactor components. Additionally, during the first quarter of 2023, the upper and middle feeder installation series commenced. The refurbishment of Unit 1 incorporates 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 is continuing to advance the DNNP with the goal of deploying Canada's first grid-scale SMR by the end of the decade. In March 2023, OPG, GE-Hitachi Nuclear Energy (GEH), Tennessee Valley Authority (TVA) and Synthos Green Energy S.A (SGE) announced a technical collaboration agreement between the parties to fund the development of the BWRX-300 reactor plant technology and detailed design for key components, including reactor pressure vessel and associated internal components. GEH is committed to standard design development and anticipates a total investment of around $400 million associated with the development. OPG, TVA and SGE, as contributors, have agreed to fund a portion of GEH's overall cost and, collectively, will form a Design Working Group with the purpose of ensuring the standard design is deployable in multiple jurisdictions. The BWRX-300 reactor is the selected design for OPG's first SMR at the DNNP site.

Redevelopment of Calabogie Hydroelectric GS

OPG has completed the redevelopment of the Calabogie GS, located along the Madawaska River in eastern Ontario. Following the completion of installation and commissioning activities, Unit 1 and Unit 2 were placed in service in April 2023, within the $168 million approved budget. The project replaced the original station with a higher generating capacity powerhouse, which is more efficient in utilizing the available river flows. As a result, the installed capacity of the new station has doubled to approximately 11 MW.

Financial Strength

Clean Electricity Investment Tax Credit

In March 2023, the Canadian federal government, as part of Budget 2023, announced a 15 percent refundable Clean Electricity Investment Tax Credit (ITC) for eligible investments made by certain entities, including OPG. This ITC is available for certain clean energy projects which commence construction on or after March 28, 2023, and would be available as of the Budget 2024 day, up to and including 2034. Among others, eligible investments in new projects and refurbishment of existing facilities include SMRs and large-scale nuclear reactors, hydroelectric electricity generation, and certain stationary electricity storage systems, including battery and pumped hydroelectric storage projects. Budget 2023 sets out certain requirements that must be met in order to access the ITC, including a commitment by the respective province or territory to achieve a net-zero carbon electricity sector by 2035 and a commitment by a competent authority that the federal funding will be used to lower electricity bills. OPG is continuing to monitor developments in this area.

Ontario Court Bill 124 Decision

Protecting a Sustainable Public Sector for Future Generations Act, 2019 (Bill 124), which came into force on November 8, 2019, set limits on compensation increases for unionized and non-unionized employees in the Ontario public sector and applied to OPG. Bill 124 limited the maximum annual increase in both wages and total compensation to one percent for a three-year period, referred to as the moderation period, subject to certain exceptions. A broad range of unions and organizations challenged the constitutionality of Bill 124. In a decision dated November 29, 2022, the Ontario Superior Court found that Bill 124 was unconstitutional and declared it to be void and of no effect (Bill 124 Court Decision). The Government of Ontario filed an appeal of the decision with the Ontario Court of Appeal on December 29, 2022.

OPG's approved regulated prices for the 2022-2026 period were set on the basis of cost forecasts that assumed the application of Bill 124. On March 1, 2023, OPG filed an application with the OEB requesting to establish a variance account to record and therefore offset compensation cost impacts attributable to the nuclear facilities as a result of the Bill 124 Court Decision, subject to future review and disposition by the OEB. On March 22, 2023, the OEB issued an order establishing the proposed variance account on an interim basis, allowing OPG to record such cost impacts beginning March 1, 2023. The OEB's order noted that the determination to establish the variance account on an interim basis was made without prejudice to the OEB's final determination regarding the account's establishment, including its effective date. Such final determination is expected to be made by the OEB following a written hearing process, which is in progress.

Operational Excellence

Collective Agreements

The governing one-year collective agreement between the Power Workers' Union (PWU) and OPG expired on March 31, 2022. On April 11, 2023, the PWU ratified a two-year renewal collective agreement negotiated by the parties, covering the period from April 1, 2022, to March 31, 2024. The PWU bargaining unit represents over 50 percent of OPG's workforce. As the agreement was established subsequent to the issuance of the Bill 124 Court Decision, it is not currently subject to the requirements of Bill 124.

The current two-year collective agreement between the Society of United Professionals (Society) and OPG expires on December 31, 2023. The collective agreement was established by an arbitration award issued in December 2021 and covered the first two years of the corresponding three-year moderation period under Bill 124. On May 8, 2023, the arbitrator issued an award that modified the collective agreement to reflect increased compensation under the provisions of the original arbitration award that allowed for reopening of compensation provisions in the event Bill 124 ceased to be in effect. The Society bargaining unit represents over 30 percent of OPG's workforce.

Compensation cost impacts that arise from the renewal collective agreement with the PWU and the arbitration award related to the reopening of the governing collective agreement with the Society as a result of the overturning of Bill 124 are expected to be largely offset by the impact of the variance account established by the OEB for this purpose on an interim basis, subject to the OEB's final determination with respect to the account's establishment. OPG's obligations under the collective agreements may be affected by the outcome of the Government of Ontario's ongoing appeal of the Bill 124 Court Decision.

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 2022 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 2022 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.

Feasibility Assessment for Refurbishing Units 5-8 at Pickering GS

In response to the Province's request in September 2022, work continues on updating the feasibility assessment for refurbishing Units 5 to 8 at the Pickering GS, based on the latest information, as a prudent due diligence measure to support future electricity planning decisions. OPG expects to submit the updated results of the assessment to the Province by the end of 2023.

Federal Government's Review of Canada's Radioactive Waste Policy

In November 2020, the Canadian government launched a process to review and modernize Canada's approach to the safe management of Canada's nuclear by-products, consisting of two elements. The first element was to review Canada's existing Radioactive Waste Policy framework, with public participation and the goal of ensuring that the framework is consistent with international standards and best practices. The second element is to develop Canada's integrated strategy for the safe management of irradiated waste materials, and in particular low and intermediate level waste (L&ILW), which, at the federal government's request, is being led by the Nuclear Waste Management Organization (NWMO).

In March 2023, Natural Resources Canada released the modernized *Policy for Radioactive Waste and Decommissioning*. The policy sets out the federal government's vision for radioactive waste management and decommissioning of nuclear facilities, with the overall priority of ensuring the protection of the health, safety and security of people and the environment. As part of this vision, the policy calls for key elements of Canada's radioactive waste disposal infrastructure to be in place by 2050. Some of the specific priorities outlined in the policy include the following:

- Ensuring collaboration among waste owners and producers on planning and developing long-term solutions for radioactive waste management and decommissioning approaches, including through an Integrated Strategy for Canada's Radioactive Waste (ISRW), taking into account emerging technologies such as SMRs and international guidance where appropriate;
- Ensuring meaningful engagement, advancing reconciliation and working in partnership with Indigenous peoples on matters relating to radioactive waste management and decommissioning, including through the implementation of the United Nations Declaration on the Rights of Indigenous Peoples;
- Ensuring that adequate funding is made available by waste owners and producers for the long-term management of radioactive waste; and
- Ensuring that radioactive wastes are safely minimized through appropriate operating and decommissioning practices, including recycling and reuse of materials, and that facilities are decommissioned within an appropriate time frame to reduce the burden on future generations.

The NWMO's final recommendations for the ISRW will reflect the publication of the federal government's revised policy. OPG continues to review the revised policy and monitor developments related to the ISRW as part of its commitment to ensuring ongoing safe management of its L&ILW and used nuclear fuel.

Electricity Generation Production and Reliability

In April 2023, following an application process to the CNSC including a set of public hearings, the CNSC announced the renewal of OPG's operating licence for the Nuclear Sustainability Services' Darlington Waste Management Facility for a ten-year period, valid until April 30, 2033.

As part of the efforts to refurbish the Company's existing hydroelectric stations, OPG continues to progress on a cyclical turbine and generator overhaul program for its hydroelectric generating units across Ontario. During the first quarter of 2023, activities included the continued execution of overhaul work on Unit 9 at the R.H. Saunders GS, Unit 1 at the Barrett Chute GS and Unit 2 at the Otto Holden GS. Additionally, the Company completed the rehabilitation of the concrete infrastructure at the Otto Holden GS, and continues to progress on the rehabilitation of the concrete infrastructure at the R.H. Saunders GS. Work is also progressing on the replacement of headgates at the Sir Adam Beck II GS and on the replacement of the sluice gate superstructure at the Chenaux GS.

For additional information on the Company's major projects, refer to the section, *Core Business and Outlook* under the heading, *Project Excellence*.

Purchase and Sale of Assets

In February 2023, OPG acquired the building and surrounding lands at 1908 Colonel Sam Drive in Oshawa, Ontario for $102 million. The building will be retrofitted prior to occupancy and will serve as the Company's new corporate headquarters, superseding previously announced plans to construct a new corporate campus in Clarington, Ontario.

Through Eagle Creek, OPG has committed to a plan to sell 22 hydroelectric generating stations in the US with a total capacity of approximately 47 MW across a number of regions, along with two storage reservoirs in the Mid-Western US, as part of the Company's strategy to optimize the US hydroelectric portfolio. The sale is expected to be completed in the second half of 2023, subject to regulatory approval.

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 of OPG's major projects is outlined below.

Project *(millions of dollars)*	**Capital expenditures** **Year-to-date**	 **Life-to-date**	**Approved budget**	**Expected in-service date**	**Current status**
Darlington Refurbishment	225	9,454	12,800 [1]	Unit 3 – 2023 Unit 1 – 2025 Unit 4 – 2026	Unit 3 refurbishment is progressing ahead of schedule and is in the fourth and final major segment. Unit 1 is progressing on schedule and is 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.
Little Long Dam Safety Project	37	576	700	2023	During the first quarter of 2023, the upstream east wall was completed and the west cofferdam was removed. The replacement of the existing Adam Creek gates continues on schedule. The project is expected to be completed in the second half of 2023 and is tracking toward the approved budget of $700 million.
Smoky Falls Dam Safety Project	23	140	390	2025	During the first quarter of 2023, the concrete work required to initiate gate replacement activities was completed. Closure of the surplus bays, dam stabilization and gate replacement continue on schedule. The project is expected to be completed in 2025 and is tracking on budget.
Redevelopment of Calabogie Hydroelectric GS	7	157	168	2023	Following the completion of installation and commissioning activities, Unit 1 and Unit 2 were placed in service in April 2023, within the approved budget.

[1] The total project budget of $12.8 billion is for the refurbishment of all four units at the Darlington GS.

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 second unit, Unit 3, commenced refurbishment in September 2020 and is expected to be returned to service in the third quarter of 2023, ahead of schedule. The third unit, Unit 1, commenced refurbishment in February 2022 and is scheduled to be returned to service in the second quarter of 2025. Planning and pre-requisite activities for the refurbishment of the fourth unit, Unit 4, are progressing as planned. The planning, pre-requisite and execution work for the Unit 4 refurbishment has and will incorporate the benefits of experience with the first three units and additional strategic improvements. The refurbishment of Unit 4 is expected to commence during the second half of 2023 and is scheduled to be completed by the end of 2026.

The final major segment of the Unit 3 refurbishment commenced in December 2022 and is currently underway. Reactor construction work, reconnection of Unit 3 to station containment, and vault restoration work have been completed, leading to unit start up activities in May 2023. The project is working toward the next regulatory approval from the CNSC to proceed with the removal of the Unit 3 Guaranteed Shutdown State, followed by the regulatory approvals from the CNSC, in preparation for Unit 3 to return to full power.

Unit 1 refurbishment is currently in the Reassembly segment, with activities progressing on schedule. The project completed the removal of end fittings during the first quarter of 2023, and subsequently completed the removal of pressure tubes and calandria tubes in April 2023, marking the end of the Disassembly segment. Additionally, during the first quarter of 2023, the project commenced the upper and middle feeder installation series on Unit 1. The installation will include 960 new feeder tubes and will be completed in two segments, starting with the upper and middle feeders, and followed by the lower feeders. As part of the refurbishment, OPG is also progressing the reconditioning of the Unit 1 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 2023.

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 and supporting energy transition with consideration of 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 2022 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, 2022 to December 31, 2026 in effect as of the date of this MD&A:

($/MWh)	**2022**	**2023**	**2024**	**2025**	**2026**
Regulated – Nuclear Generation					
Base regulated price [1]	104.06	**107.79**	103.48	102.85	111.33
Deferral and variance account rate riders	1.16	**1.25**	1.15	5.34	7.58
Total regulated price	105.22	**109.04**	104.63	108.19	118.91
Regulated – Hydroelectric Generation					
Base regulated price	43.88	**43.88**	43.88	43.88	43.88
Deferral and variance account rate riders	1.03	**1.03**	1.03	0.69	0.69
Total regulated price	44.91	**44.91**	44.91	44.57	44.57

[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.

The base regulated prices in effect beginning January 1, 2022 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.

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 facilities in Ontario are subject to ESAs with the IESO or other long-term contracts.

Ensuring Availability of Cost Effective Funding

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; long-term debt sourced from the Ontario Electricity Financial Corporation (OEFC), an agency of the Province; public debt offerings; 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 March 31, 2023, the Company's credit ratings were as follows:

Type of Rating	**DBRS Limited (DBRS)** [1]	**S&P Global Ratings (S&P)**	**Moody's Investors Service (Moody's)**
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 [2]
Commercial paper program – US	NR [2]	A-2	P-2

[1] In April 2023, DBRS confirmed OPG's issuer rating at A (low), senior unsecured debt rating at A (low) and Canadian commercial paper rating at R-1 (low), all with Stable trends.
[2] 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*.

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. Aligned with OPG's Climate Change Plan, the strategy considers the Company's financial position and encompasses the renewal and expansion of the Company's portfolio of electricity generating assets, including the redevelopment of existing sites and pursuing new developments, as well as investing in innovative technologies and new lines of business in the electricity sector. Opportunities are evaluated using financial and risk-based analyses as well as the application of strategic considerations, including the evaluation of potential partnerships with other commercial entities where aligned with OPG's business objectives.

Nuclear Small Modular Reactors

In May 2023, Laurentis Energy Partners, a wholly-owned subsidiary of OPG, signed a Master Service Agreement with Fermi Energia, an Estonia-based energy company to support the development and deployment of SMRs in Estonia by offering services throughout the development lifecycle.

Medical Isotopes

In March 2023, OPG and Nordion (Canada) Inc. finalized a commercial agreement for the future sale of the cobalt-60 isotope from the Darlington GS. This agreement follows the 2019 agreement between the parties to expand the production of the cobalt-60 isotope to the Darlington GS. The plan to produce cobalt-60 at the Darlington GS is subject to the CNSC's review and approval, with the first harvest expected in the latter part of the decade. Cobalt-60 is currently produced by OPG at certain units of the Pickering GS and is used mainly in the health industry to sterilize surgical and medical supplies.

Clean Energy Credits

In March 2023, the Province formalized a Clean Energy Credit (CEC) registry which enables OPG to sell CECs from its hydroelectric and nuclear facilities into the Ontario market. Proceeds from the sale of CECs will be directed to the Province's Future Clean Electricity Fund, which will help lower costs for electricity customers by supporting the development of new clean energy projects in Ontario. OPG continues to offer CECs in the US market through Eagle Creek from its hydroelectric facilities.

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 to 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

Operating Performance

OPG expects net income for the 2023 year to be largely consistent with 2022, reflecting Unit 3 of the Darlington GS entering approved rate base upon completion of refurbishment activities expected in the third quarter of 2023, the gain recognized in 2022 on the sale of certain real estate premises, and the impact of ongoing elevated inflationary pressures on costs.

The Company's operating results in 2023 may be impacted by macro-economic factors and global events, as discussed further in the 2022 annual MD&A, in the section, *Risk Management*.

Nuclear Segregated Funds

OPG's operating results can be affected by earnings on the nuclear fixed asset and nuclear waste management funds (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 March 31, 2023, the Decommissioning Segregated Fund was overfunded by approximately 35 percent and the Used Fuel Segregated Fund was overfunded by approximately 6 percent based on the approved ONFA Reference Plan in effect for the years 2022 to 2026.

Further details on OPG's outlook, including capital expenditures and financing and liquidity, can be found in OPG's 2022 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, 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 footprint, support reductions in greenhouse gas (GHG) emissions, increase resilience to climate change impacts and to advancing reconciliation with Indigenous peoples, while taking into account impacts on customers. Central to OPG's environmental, social and governance (ESG) and sustainability focus is the commitment to becoming a global ED&I best practice leader by 2030.

Health and Safety

OPG continues to maintain a strong focus on the nuclear safety program and to invest in nuclear safety systems. To ensure continued public health and safety, radiation exposure to members of the public resulting from the operation of OPG's nuclear generating stations is estimated on an annual basis for individuals living or working near the stations. The annual dose to the public resulting from operations of each nuclear facility is expressed in microsieverts (μSv), which is an international unit of radiation dose measurement.

The doses to the public resulting from OPG's nuclear operations were as follows:

Annual public dose	2022		2021	
	μSv	% of annual legal limit [1]	μSv	% of annual legal limit [1]
Darlington GS	**0.6**	**<0.1%**	0.6	<0.1%
Pickering GS	**1.9**	**0.2%**	2.0	0.2%

[1] The annual legal limit is 1,000 μSv for each nuclear generating station.

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. These regulations are expected to increase policy certainty by providing a basis for provinces and territories to plan, operate and decarbonize their electricity systems. A key component of CER will be the regulation of carbon dioxide emissions from natural gas generation, including emissions performance standards, financial compliance requirements for emissions, and the role of natural gas generation to support electricity affordability and reliability. OPG is engaged in the CER consultation process through industry associations and directly with Environment and Climate Change Canada. Draft regulations are expected to be published in 2023 and final regulations are anticipated to be in place by the end of 2024.

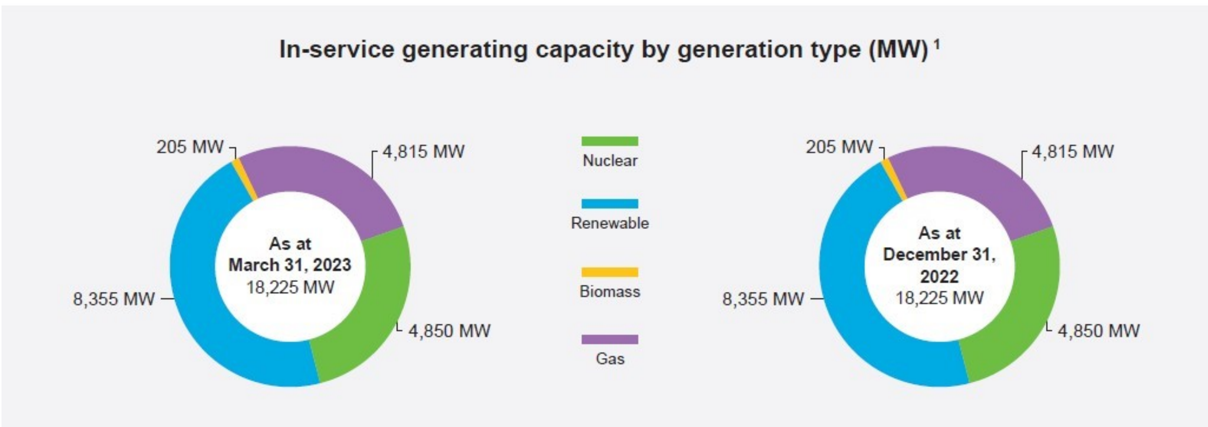
Climate Change

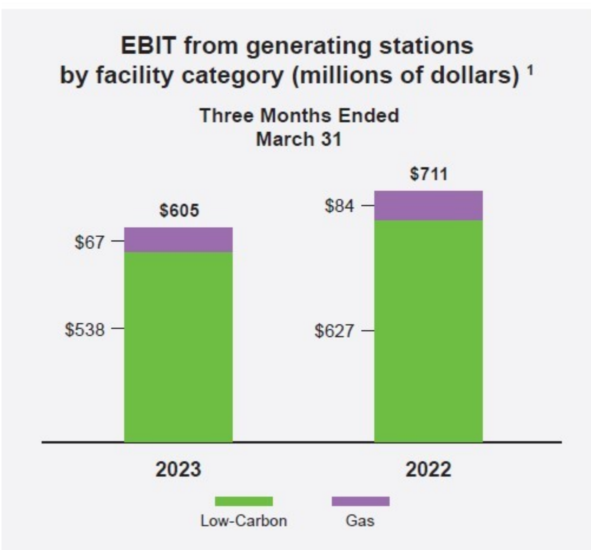
Since the launch of the Climate Change Plan, OPG has made advancements in a number of areas to ensure sustainable, resilient operations and to invest in the generation of clean energy. This includes progressing the Darlington Refurbishment project as one of Canada's largest clean energy infrastructure projects, continuing to lead the development of SMRs with the goal of deploying Canada's first commercial grid-scale SMR at the DNNP site, and executing work required to maximize the safe and reliable operating life of the Pickering GS, including through the ongoing feasibility assessment for the refurbishment of Units 5 to 8. OPG also continues to advance projects to increase the generating capacity of its hydroelectric generating assets and is also exploring the potential for new hydroelectric development including opportunities for hydroelectric generating assets in northern Ontario and the development of a pumped hydro storage facility. OPG is supporting the electrification of Ontario's transportation sector by expanding the electric vehicle fast-charging network and providing electrification and charging infrastructure solutions for municipal transit agencies and corporate fleets through the Ivy Charging Network joint venture and the PowerON Energy Solutions subsidiary. Additionally, Atura Power is laying the groundwork for low-carbon hydrogen production and the creation of regional hydrogen hubs in Ontario as part of its hydrogen-related business.

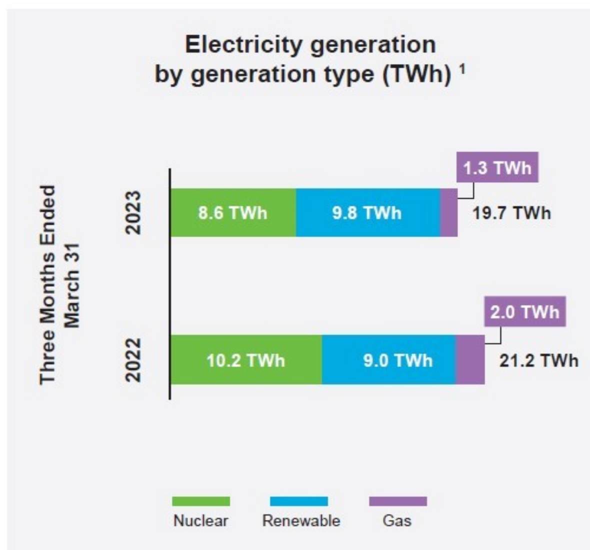
Climate-Related Performance and Key Metrics

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 the development of consistent industry metrics to quantify the level of achieved climate change resilience. OPG is in the process of developing such quantitative metrics and targets for climate change adaptation 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, as applicable. Gas category includes the dual-fueled Lennox GS and Atura Power's combined cycle plants.

In-service generating capacity by generation type [1]	Total in-service generating capacity from each of low-carbon emitting and gas generation sources as at March 31, 2023 is the same as at December 31, 2022. Low-carbon sources continue to account for the majority of OPG's total in service generating capacity.

Electricity generation by generation type [2]	Low-carbon electricity sources supplied approximately 93 percent of OPG's total electricity generation during the first quarter of 2023. The percentage of total electricity supplied by low-carbon sources increased in the first quarter of 2023, compared to the same period in 2022, primarily due to lower electricity generation from the Atura Power business segment.
EBIT from generating stations by facility category [3]	Earnings before interest and income taxes from low-carbon electricity generation decreased during the three months ended March 31, 2023, compared to the same period in 2022, primarily due to lower revenue from the Regulated – Nuclear Generation business segment as a result of lower electricity generation. 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.

Scope 1 GHG emissions, Emission Rate and Scope 2 GHG emissions are reported annually. Data for 2022 will be available in the second quarter of 2023.

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, healthy and agile workforce in a dynamic and changing industry, and is fundamental to achieving the Company's strategic goals.

OPG continues to advance the Company's ED&I Strategy. In March 2023, OPG was named one of Canada's Best Diversity Employers for 2023, which recognizes employers across Canada that have exceptional workplace diversity and inclusiveness programs. The award marked the achievement of OPG's short-term ED&I Strategy goal and reflects the Company's work performed to build a strong foundation for long-term ED&I excellence. The ED&I Strategy can be found on the Company's website www.opg.com.

The Company is continuing to work towards its long-term ED&I Strategy goal of becoming a global ED&I best practice leader by 2030. During 2023, OPG is carrying out an internal ED&I assessment of the progress to date, which will help to address gaps toward the achievement of the Company's 2030 goal.

Indigenous Relations

OPG owns and operates electricity generation assets within the treaty and traditional territories of Indigenous peoples across Ontario. OPG's Indigenous Relations Policy and Reconciliation Action Plan formalize the Company's commitment to working with Indigenous 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 Aboriginal Business' Progressive Aboriginal Relations program, which recognizes OPG as a national best-practices organization with a demonstrated commitment in the area of Indigenous relations. OPG's Reconciliation Action Plan 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 March 31 2023	2022
Electricity generation (TWh)	**8.6**	10.2
Revenue	**1,040**	1,132
Fuel expense	**67**	68
Gross margin	**973**	1,064
Operations, maintenance and administration expenses	**559**	559
Property taxes	**6**	5
Earnings before interest, income taxes, depreciation and amortization	**408**	500
Depreciation and amortization expenses	**131**	151
Earnings before interest and income taxes	**277**	349

Earnings before interest and income taxes from the segment decreased by $72 million for the three months ended March 31, 2023 compared to the same period in 2022.

The decrease in earnings was primarily due to lower revenue of $172 million as a result of lower electricity generation of 1.6 TWh. The lower electricity generation was primarily due to the removal from service of Darlington GS Unit 1 for the duration of the unit's refurbishment, which began in February 2022, and an increase in the number of planned and unplanned outage days at the Pickering GS.

The decrease in earnings was partially offset by higher non-electricity revenue of $34 million, primarily driven by increased heavy water tritium removal (detritiation) services and isotope sales, and an increase in revenue of $33 million from a higher nuclear base regulated price. The decrease in earnings was also partially offset by higher amounts of $11 million deferred in the Rate Smoothing Deferral Account.

The lower depreciation and amortization expenses for the three months ended March 31, 2023, compared to the same period in 2022, primarily reflected amounts recorded as recoverable from customers in regulatory accounts in connection with differences in the current accounting end-of-life assumptions for the Pickering GS from those assumed in the nuclear base regulated price in effect during 2023.

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

	Three Months Ended March 31 2023	2022
Planned Outage Days		
Pickering GS	**124.0**	88.0
Unplanned Outage Days		
Darlington GS [1]	**0.4**	0.4
Pickering GS	**21.0**	1.9

[1] The planned and unplanned outage days exclude unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 3 and Unit 1 of the Darlington GS are excluded from the measure since commencing refurbishment on September 3, 2020 and February 15, 2022, respectively.

The increase in planned outage days at the Pickering GS for the three months ended March 31, 2023, compared to the same period in 2022, was driven by the station's cyclical maintenance schedule and other planned maintenance and repair work executed at the station.

The increase in unplanned outage days at the Pickering GS for the three months ended March 31, 2023, compared to the same period in 2022, was mainly due to required repair work associated with a turbine governing system on Unit 1.

The unplanned outages days at the Darlington GS for the three months ended March 31, 2023 were comparable to the same period in 2022.

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

	Three Months Ended March 31	
	2023	**2022**
Unit Capability Factor *(%)* [1, 2]		
Darlington GS	**99.8**	99.9
Pickering GS	**74.6**	83.5

[1] Nuclear Unit Capability Factor excludes unit(s) during the period in which they are undergoing refurbishment. Accordingly, Unit 3 and Unit 1 of the Darlington GS are excluded from the measure since commencing refurbishment on September 3, 2020 and February 15, 2022, respectively.

[2] Nuclear Unit Capability Factor is defined in the section, *Key Operating Performance Indicators and Non-GAAP Financial Measures.*

The Unit Capability Factor at the Pickering GS decreased for the three months ended March 31, 2023, compared to the same period in 2022, due to higher planned and unplanned outage days. The Unit Capability Factor at the Darlington GS was comparable to the same quarter in 2022.

Regulated – Nuclear Sustainability Services Segment

	Three Months Ended March 31	
(millions of dollars)	**2023**	**2022**
Revenue	**48**	50
Operations, maintenance and administration expenses	**48**	50
Accretion on nuclear fixed asset removal and nuclear waste management liabilities	**292**	283
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(259)**	(258)
Loss before interest and income taxes	**(33)**	(25)

Loss before interest and income taxes from the segment was $33 million for the three months ended March 31, 2023, compared to a loss of $25 million for the same period in 2022, representing an increase of $8 million. The increase was primarily due to higher accretion expense on the Nuclear Liabilities, representing the increase in the present value of the underlying obligations to reflect the passage of time.

The earnings on the Nuclear Segregated Funds for the first quarter of 2023 were comparable to the same period in 2022. As both the Decommissioning Segregated Fund and the Used Fuel Segregated Fund were in an overfunded position during the three months ended March 31, 2023, and during the same period in 2022, 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 the 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 2022 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 March 31	
(millions of dollars – except where noted)	**2023**	**2022**
Electricity generation (TWh)	**8.3**	8.0
Revenue [1]	**385**	387
Fuel expense	**66**	64
Gross margin	**319**	323
Operations, maintenance and administration expenses	**97**	86
Property tax	**-**	1
Other losses	**-**	1
Earnings before interest, income taxes, depreciation and amortization	**222**	235
Depreciation and amortization expenses	**45**	42
Earnings before interest and income taxes	**177**	193

[1] During the three months ended March 31, 2023 and 2022, the Regulated – Hydroelectric Generation business segment revenue included incentive payments of $2 million and $3 million, respectively, related to the OEB-approved hydroelectric incentive mechanism. 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 decreased by $16 million for the three months ended March 31, 2023, compared to the same period in 2022. The decrease was mainly due to the impact of higher market prices on congestion management revenues in 2022 and higher OM&A expenses in 2023 across the regulated hydroelectric assets.

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

	Three Months Ended March 31	
	2023	**2022**
Hydroelectric Availability *(%)* [1]	**89.1**	88.6

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

Hydroelectric Availability increased marginally for the three months ended March 31, 2023, compared to the same period in 2022, due to fewer unplanned outages at the regulated hydroelectric stations in the Niagara Region.

Contracted Hydroelectric and Other Generation Segment

(millions of dollars – except where noted)	Three Months Ended March 31 2023	2022
Electricity generation (TWh)	**1.5**	1.0
Revenue	**217**	203
Fuel expense	**15**	12
Gross margin	**202**	191
Operations, maintenance and administration expenses	**71**	55
Accretion on fixed asset removal liabilities	**2**	2
Property taxes	**4**	6
Other losses	**-**	1
Earnings before interest, income taxes, depreciation and amortization	**125**	127
Depreciation and amortization expenses	**41**	38
Earnings before interest and income taxes	**84**	89

Earnings before interest and income taxes from the segment decreased by $5 million for the three months ended March 31, 2023, compared to the same period in 2022. The decrease was a result of lower earnings from the Ontario-based hydroelectric and thermal facilities, primarily due to higher OM&A expenses. The decrease was partially offset by higher earnings from the US operations.

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 March 31 2023	2022
Hydroelectric Availability *(%)* [1,2]	**92.4**	88.7
Thermal EFOR *(%)* [2]	**5.7**	-

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*.

Hydroelectric Availability increased for the three months ended March 31, 2023, compared to the same period in 2022, primarily due to fewer planned and unplanned outages at the Lower Mattagami hydroelectric generating stations in Ontario.

Thermal EFOR increased for the three months ended March 31, 2023, compared to the same period in 2022, due to higher unplanned outages at the Atikokan GS.

Atura Power Segment

(millions of dollars)	Three Months Ended March 31 2023	2022
Electricity Generation (TWh)	**1.3**	2.0
Revenue	**176**	226
Fuel expense	**62**	102
Gross margin	**114**	124
Operations, maintenance and administration expenses	**17**	15
Property taxes	**1**	1
Earnings before interest, income taxes, depreciation and amortization	**96**	108
Depreciation and amortization expenses	**29**	28
Earnings before interest and income taxes	**67**	80

Earnings before interest and income taxes from the segment decreased by $13 million for the three months ended March 31, 2023 compared to the same period in 2022. The decrease was primarily due to lower gross margin as a result of decreased electricity generation driven by the impact of lower demand for electricity generation from combined cycle plants due to milder weather during the winter of 2023.

The Thermal Availability for the assets within the Atura Power business segment was as follows:

	As At March 31 2023	2022
Thermal Availability *(%)* [1]	**90.4**	92.7

[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.

Thermal Availability decreased as at March 31, 2023, compared to March 31, 2022, primarily due to planned outages at the Napanee GS and the Portlands Energy Centre.

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 were as follows:

	Three Months Ended March 31	
(millions of dollars)	**2023**	**2022**
Cash, cash equivalents and restricted cash, beginning of period	**1,595**	698
Cash flow provided by operating activities	**502**	860
Cash flow used in investing activities	**(707)**	(598)
Cash flow provided by (used in) financing activities	**20**	(26)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**-**	(1)
Net (decrease) increase in cash, cash equivalents and restricted cash	**(185)**	235
Cash and cash equivalents and restricted cash, end of period	**1,410**	933

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 months ended March 31, 2023 increased by $109 million compared to the same period in 2022. The increase was mainly due to the purchase of the new corporate headquarters building and surrounding lands at 1908 Colonel Sam Drive in Oshawa, Ontario.

Financing Activities

Cash flow provided by financing activities for the three months ended March 31, 2023 increased by $46 million compared to the same period in 2022. The increase was primarily due to higher net issuances of short-term debt and lower repayments of long-term debt in the first quarter of 2023 compared to the same period in 2022.

Committed credit facilities and maturity dates as at March 31, 2023 were as follows:

(*millions of dollars*)		**Amount**
Bank facilities:		
Corporate [1,2]		**1,892**
Corporate [1]	US Dollars	**750**
Lower Mattagami Energy Limited Partnership [3]		**400**
OPG Eagle Creek Holdings LLC and subsidiaries	US Dollars	**25**
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 March 31, 2023.

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

	As At	
(*millions of dollars*)	**March 31 2023**	**December 31 2022**
Lower Mattagami Energy Limited Partnership	**110**	65
Total short-term debt	**110**	65
Letters of credit	**456**	439
Guarantees	**35**	35

As of March 31, 2023, a total of $456 million of Letters of Credit had been issued. This included $298 million for the supplementary pension plans, $17 million for Eagle Creek and its subsidiaries, $60 million for Lower Mattagami Energy Limited Partnership, $43 million for general corporate purposes, $16 million for UMH Energy Partnership, $21 million for Atura Power and $1 million for PSS Generating Station Limited Partnership.

Long-term debt balances were as follows:

	As At	
(*millions of dollars*)	**March 31 2023**	**December 31 2022**
Medium Term Notes payable	**4,650**	4,650
Notes payable under corporate credit facilities	**2,598**	2,618
Project financing	**2,892**	2,892
Other	**25**	25
Total Long-term debt [1]	**10,165**	10,185

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

Share Capital

As at March 31, 2023 and December 31, 2022 OPG had 256,300,010 common shares issued and outstanding at a stated value of $5,126 million. OPG is authorized to issue an unlimited number of common shares without nominal or par value. Any issue of new shares is subject to the consent of OPG's shareholder, the Province.

As at March 31, 2023 and December 31, 2022 OPG had 18,343,815 Class A shares issued and outstanding at a stated value of $787 million. OPG is entitled to redeem outstanding Class A shares as may be approved by OPG's Board of Directors.

BALANCE SHEET HIGHLIGHTS

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

(millions of dollars)	As at March 31 2023	 December 31 2022
Property, Plant and equipment - net 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.*	**32,113**	31,767
Nuclear fixed asset removal and nuclear waste management funds *(current and non-current portions)* 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.	**20,931**	20,706
Long-term debt *(current and non-current portions)* The decrease was due to debt repayments made to the OEFC during the first quarter of 2023.	**10,131**	10,152
Fixed asset removal and nuclear waste management liabilities The increase was primarily a result of accretion expense, partially offset by expenditures on fixed asset removal and nuclear waste management activities.	**24,564**	24,315

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, 2022. OPG's critical accounting policies are consistent with those noted in OPG's 2022 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 2022 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 Russia/Ukraine conflict, 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 March 31, 2023 was $599 million, including $525 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.

	2023 [1]	2024	2025
Estimated fuel requirements hedged *(%)* [2]	80	79	75

[1] Based on actual requirements hedged for the three months ended March 31, 2023 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 March 31			
	2023		**2022**	
(millions of dollars)	**Income**	**Expense**	**Income**	**Expense**
Hydro One				
Electricity sales	**6**	**-**	7	-
Services	**-**	**2**	-	6
Dividends	**1**	**-**	1	-
Province of Ontario				
Change in Decommissioning Segregated Fund	**-**	**383**	536	-
amount due to Province [1]				-
Change in Used Fuel Segregated Fund amount due to Province [1]	**-**	**485**	838	-
Hydroelectric gross revenue charge	**-**	**29**	-	27
OEFC				
Hydroelectric gross revenue charge	**-**	**36**	-	36
Interest expense on long-term notes	**-**	**23**	-	24
Income taxes	**-**	**132**	-	168
Property taxes	**-**	**3**	-	3
IESO				
Electricity related revenue	**1,626**	**-**	1,806	-
Fair Hydro Trust				
Interest income	**8**	**-**	8	-
	1,641	**1,093**	3,196	264

[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 March 31, 2023 and December 31, 2022, the Nuclear Segregated Funds were reported net of amounts due to the Province of $7,042 million and $6,174 million, respectively.

Balances between OPG and its related parties are summarized below:

	As at	
(millions of dollars)	**March 31 2023**	**December 31 2022**
Receivables from related parties		
Hydro One	**1**	3
IESO − Electricity related receivables	**525**	477
Fair Hydro Trust	**12**	4
OEFC	**3**	-
Province of Ontario	**3**	-
Loan receivable		
Fair Hydro Trust	**907**	908
Equity securities		
Hydro One shares	**175**	171
Accounts payable, accrued charges and other payables		
Hydro One	**-**	1
OEFC	**87**	99
Province of Ontario	**7**	14
IESO − Electricity related payables	**7**	3
Long-term debt (including current portion)		
Notes payable to OEFC	**2,520**	2,540

OPG may hold Province of Ontario bonds and treasury bills in the Nuclear Segregated Funds and the OPG registered pension plan. As at March 31, 2023, the Nuclear Segregated Funds held $1,283 million of Province of Ontario bonds (December 31, 2022 – $1,371 million) and $13 million of Province of Ontario treasury bills (December 31, 2022 – $2 million). As of March 31, 2023, the OPG registered pension plan held $65 million of Province of Ontario bonds (December 31, 2022 − $64 million) and $10 million of Province of Ontario treasury bills (December 31, 2022 – $8 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 and for its Disclosure Controls and Procedures. 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 to 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)*	**March 31 2023**	**December 31 2022**	**September 30 2022**	**June 30 2022**
Electricity generation (TWh)	**19.7**	**16.8**	**20.4**	**20.1**
Revenue	**1,830**	**1,557**	**1,978**	**1,856**
Net income	**433**	**205**	**488**	**451**
Less: Net income attributable to non-controlling interest	**4**	**2**	**4**	**5**
Net income attributable to the Shareholder	**429**	**203**	**484**	**446**
Earnings per share, attributable to the Shareholder *(dollars)*	**$1.56**	**$0.74**	**$1.76**	**$1.62**

(millions of dollars – except where noted) *(unaudited)*	**March 31 2022**	**December 31 2021**	**September 30 2021**	**June 30 2021**
Electricity generation (TWh)	21.2	18.3	21.0	19.2
Revenue	1,958	1,670	1,712	1,804
Net income	507	97	430	522
Less: Net income attributable to non-controlling interest	4	6	4	4
Net income attributable to the Shareholder	503	91	426	518
Earnings per share, attributable to the Shareholder *(dollars)*	$1.83	$0.33	$1.55	$1.89

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 at March 31, 2023, 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)
MARCH 31, 2023

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Three Months Ended March 31 *(millions of dollars except where noted)*	**2023**	**2022**
Revenue	**1,830**	1,958
Fuel expense	**210**	246
Gross margin	**1,620**	1,712
Operations, maintenance and administration expenses	**749**	717
Depreciation and amortization expenses	**263**	276
Accretion on fixed asset removal and nuclear waste management liabilities	**295**	286
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(259)**	(258)
Property taxes	**11**	13
	1,059	1,034
Income before other losses (gains), interest and income taxes	**561**	678
Other losses (gains)	**1**	(3)
Income before interest and income taxes	**560**	681
Net interest expense *(Note 5)*	**36**	50
Income before income taxes	**524**	631
Income tax expense	**91**	124
Net income	**433**	507
Net income attributable to the Shareholder	**429**	503
Net income attributable to non-controlling interest	**4**	4
Basic and diluted earnings per share *(dollars) (Note 13)*	**1.56**	1.83

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31 *(millions of dollars)*	**2023**	**2022**
Net income	**433**	507
Other comprehensive income (loss), net of income taxes *(Note 8)*		
Reclassification to income of amounts related to pension and other post-employment benefits [1]	**(1)**	2
Reclassification to income of losses on derivatives designated as cash flow hedges [2]	**-**	3
Net gain on derivatives designated as cash flow hedges [3]	**9**	-
Currency translation adjustment	**(3)**	(26)
Other comprehensive income (loss) for the period	**5**	(21)
Comprehensive income	**438**	486
Comprehensive income attributable to the Shareholder	**434**	482
Comprehensive income attributable to non-controlling interest	**4**	4

[1] Net of income tax expense of nil and $1 million for the three months ended March 31, 2023 and 2022, respectively.
[2] Net of income tax expense of nil for each of the three months ended March 31, 2023 and 2022.
[3] Net of income tax expense of $3 million and nil for the three months ended March 31, 2023 and 2022, respectively.

See accompanying notes to the interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31 *(millions of dollars)*	**2023**	**2022**
Operating activities		
Net income	**433**	507
Adjust for non-cash items:		
Depreciation and amortization expenses	**263**	276
Accretion on fixed asset removal and nuclear waste management liabilities	**295**	286
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(259)**	(258)
Pension and other post-employment benefit costs *(Note 9)*	**93**	100
Deferred income tax expense	**17**	10
Regulatory assets and regulatory liabilities	**(27)**	(14)
Other	**(16)**	(7)
Expenditures on fixed asset removal and nuclear waste management	**(93)**	(95)
Reimbursement of eligible expenditures on nuclear fixed asset removal and nuclear waste management	**33**	62
Contributions to pension funds and expenditures on other post-employment benefits and supplementary pension plans	**(80)**	(72)
Net changes to other long-term assets and long-term liabilities	**50**	27
Net changes to non-cash working capital balances *(Note 16)*	**(207)**	38
Cash flow provided by operating activities	**502**	860
Investing activities		
Investment in property, plant and equipment and intangible assets	**(598)**	(598)
Purchase of new corporate headquarters real estate site *(Note 17)*	**(102)**	-
Short-term investments	**(7)**	-
Cash flow used in investing activities	**(707)**	(598)
Financing activities		
Net issuance of short-term debt *(Note 6)*	**45**	18
Repayment of long-term debt *(Note 5)*	**(20)**	(40)
Distribution to non-controlling interest	**(5)**	(4)
Cash flow provided by (used in) financing activities	**20**	(26)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**-**	(1)
Net (decrease) increase in cash, cash equivalents and restricted cash	**(185)**	235
Cash, cash equivalents and restricted cash, beginning of period	**1,595**	698
Cash, cash equivalents and restricted cash, end of period	**1,410**	933

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	March 31 2023	December 31 2022
Assets		
Current assets		
Cash, cash equivalents and restricted cash *(Note 3)*	**1,410**	1,595
Equity securities	**175**	171
Receivables from related parties	**544**	484
Nuclear fixed asset removal and nuclear waste management funds	**65**	51
Fuel inventory	**297**	252
Materials and supplies	**107**	106
Regulatory assets *(Note 4)*	**227**	227
Prepaid expenses	**205**	190
Other current assets	**461**	476
	3,491	3,552
Property, plant and equipment	**45,116**	44,490
Less: accumulated depreciation	**13,003**	12,723
	32,113	31,767
Intangible assets	**921**	934
Less: accumulated amortization	**443**	440
	478	494
Goodwill	**172**	172
Other assets		
Nuclear fixed asset removal and nuclear waste management funds	**20,866**	20,655
Loan receivable from related party	**907**	908
Long-term materials and supplies	**378**	396
Regulatory assets *(Note 4)*	**3,896**	3,797
Investments subject to significant influence	**49**	51
Pension assets	**507**	450
Other long-term assets	**103**	101
	26,706	26,358
	62,960	62,343

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	**March 31 2023**	**December 31 2022**
Liabilities		
Current liabilities		
Accounts payable, accrued charges and other payables	**1,565**	1,772
Short-term debt *(Note 6)*	**110**	65
Long-term debt due within one year *(Note 5)*	**423**	43
Regulatory liabilities *(Note 4)*	**215**	215
	2,313	2,095
Long-term debt *(Note 5)*	**9,708**	10,109
Other liabilities		
Fixed asset removal and nuclear waste management liabilities *(Note 7)*	**24,564**	24,315
Other post-employment benefit liabilities	**2,344**	2,322
Long-term accounts payable and accrued charges	**394**	384
Deferred revenue	**371**	373
Deferred income taxes	**1,956**	1,897
Regulatory liabilities *(Note 4)*	**1,889**	1,859
	31,518	31,150
Equity		
Common shares *(Note 12)*	**5,126**	5,126
Class A shares *(Note 12)*	**787**	787
Contributed surplus	**31**	32
Retained earnings	**13,169**	12,740
Accumulated other comprehensive income *(Note 8)*	**133**	128
Equity attributable to the Shareholder	**19,246**	18,813
Equity attributable to non-controlling interest	**175**	176
Total equity	**19,421**	18,989
	62,960	62,343

Commitments and Contingencies *(Notes 5, 6, 9 and 14)*

See accompanying notes to the interim consolidated financial statements

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

Three Months Ended March 31 *(millions of dollars)*	**2023**	**2022**
Common shares *(Note 12)*	**5,126**	5,126
Class A shares *(Note 12)*	**787**	787
Contributed surplus		
Balance at beginning of period	**32**	34
Reclassification to income of amounts related to gain on deconsolidation of Fair Hydro Trust	**(1)**	(1)
Balance at end of period	**31**	33
Retained earnings		
Balance at beginning of period	**12,740**	11,104
Net income attributable to the Shareholder	**429**	503
Balance at end of period	**13,169**	11,607
Accumulated other comprehensive income (loss), net of income taxes *(Note 8)*		
Balance at beginning of period	**128**	(262)
Other comprehensive income (loss)	**5**	(21)
Balance at end of period	**133**	(283)
Equity attributable to the Shareholder	**19,246**	17,270
Equity attributable to non-controlling interest		
Balance at beginning of period	**176**	178
Income attributable to non-controlling interest	**4**	4
Distribution to non-controlling interest	**(5)**	(4)
Balance at end of period	**175**	178
Total equity	**19,421**	17,448

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 months ended March 31, 2023 and 2022 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, 2022.

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 2022 comparative amounts have been reclassified from consolidated financial statements previously presented to conform to the 2023 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) and other long-term contracts 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.

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash consist of the following:

As at *(millions of dollars)*	**March 31 2023**	**December 31 2022**
Cash and cash equivalents	**1,383**	1,582
Restricted cash	**27**	13
Total cash, cash equivalents and restricted cash	**1,410**	1,595

Restricted cash is held primarily for prescribed purposes, including debt service, insurance, general collateral purposes and other contractual arrangements.

4. REGULATORY ASSETS AND REGULATORY LIABILITIES

The regulatory assets and regulatory liabilities consist of the following:

As at *(millions of dollars)*	**March 31 2023**	**December 31 2022**
Regulatory assets		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Versus Accrual Differential Deferral Account	**749**	799
Rate Smoothing Deferral Account	**590**	569
Hydroelectric Surplus Baseload Generation Variance Account	**403**	403
Nuclear Liability Deferral Account	**237**	188
Capacity Refurbishment Variance Account	**127**	74
Nuclear Development Variance Account	**109**	111
Bruce Lease Net Revenues Variance Account	**79**	101
Other variance and deferral accounts [1]	**33**	26
	2,327	2,271
Deferred Income Taxes	**1,796**	1,753
Total regulatory assets	**4,123**	4,024
Less: current portion	**227**	227
Non-current regulatory assets	**3,896**	3,797
Regulatory liabilities		
Variance and deferral accounts authorized by the OEB		
Pension & OPEB Cash Payment Variance Account	**451**	460
Hydroelectric Water Conditions Variance Account	**185**	172
Pension and OPEB Cost Variance Account	**152**	78
Nuclear Deferral and Variance Over/Under Recovery Variance Account	**75**	75
Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account	**59**	80
Other variance and deferral accounts [2]	**138**	149
	1,060	1,014
Pension and OPEB Regulatory Liability *(Note 9)*	**1,017**	1,029
COVID-19 net credit to ratepayers	**27**	31
Total regulatory liabilities	**2,104**	2,074
Less: current portion	**215**	215
Non-current regulatory liabilities	**1,889**	1,859

[1] Represents amounts for the Hydroelectric Deferral and Variance Over/Under Recovery Variance Account, the Fitness for Duty Deferral Account, the Pickering Closure Costs Deferral Account, the Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account, and the Clarington Corporate Campus Variance Account.

[2] Represents amounts for the Ancillary Services Net Revenue Variance Account, the Income and Other Taxes Variance Account, the SR&ED ITC Variance Account, the Pension & OPEB Forecast Accrual Versus Actual Cash Payment Differential Carrying Charges Variance Account, and the Impact Resulting from Optimization of Pickering Station End-of-Life Dates Deferral Account.

In September 2022, the Province announced its support for the continued operation of Units 5 to 8 at OPG's Pickering nuclear generating station (Pickering GS) to September 2026, subject to the regulatory approval of the Canadian Nuclear Safety Commission. The approved regulated prices for electricity generation from OPG's nuclear facilities during the 2022-2026 period were set on the assumption of continued operation of Units 5 to 8 at the Pickering GS until the end of 2025. In December 2022, the Province amended *Ontario Regulation 53/05* to require OPG to establish the Pickering B Extension Variance Account, effective January 1, 2023. The variance account records the difference between the revenues generated from the output of Units 5 to 8 at the Pickering GS during the period from January 1, 2026 to September 30, 2026, and the sum of any forgone revenue related to forgone output from these units arising from activities undertaken in furtherance of their operation during the period from January 1, 2026 to September 30, 2026 and the revenue requirement impact resulting from actual non-capital and capital costs incurred for such activities.

OPG's approved regulated prices for the 2022-2026 period were set on the basis of cost forecasts that assumed the application of *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (Bill 124), which set limits on compensation increases for unionized and non-unionized employees in the Ontario public sector and applied to OPG. Bill 124 limited the maximum annual increase in both wages and total compensation to one percent for a three-year period, referred to as the moderation period, subject to certain exceptions. A broad range of unions and organizations challenged the constitutionality of Bill 124. In a decision dated November 29, 2022, the Ontario Superior Court found that Bill 124 was unconstitutional and declared it to be void and of no effect (Bill 124 Court Decision). The Government of Ontario filed an appeal of the decision with the Ontario Court of Appeal on December 29, 2022.

On March 1, 2023, OPG filed an application with the OEB requesting to establish a variance account to record compensation cost impacts attributable to the nuclear facilities as a result of the Bill 124 Court Decision, subject to future review and disposition by the OEB. On March 22, 2023, the OEB issued an order establishing the proposed variance account on an interim basis, allowing OPG to record such cost impacts beginning March 1, 2023. The OEB's order noted that the determination to establish the variance account on an interim basis was made without prejudice to the OEB's final determination regarding the account's establishment, including its effective date. Such final determination is expected to be made by the OEB following a written hearing process, which is in progress.

5. LONG-TERM DEBT AND NET INTEREST EXPENSE

Long-term debt consists of the following:

As at *(millions of dollars)*	**March 31 2023**	**December 31 2022**
Medium Term Note Program senior notes	**4,650**	4,650
Senior notes payable under corporate credit facilities	**2,598**	2,618
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	**166**	166
OPG Eagle Creek Holdings LLC and subsidiaries senior notes	**486**	486
Other	**25**	25
	10,165	10,185
Plus: net fair value premium	**6**	7
Less: unamortized bond issuance fees	**(40)**	(40)
Less: amounts due within one year	**(423)**	(43)
Long-term debt	**9,708**	10,109

OPG repaid long-term debt of $20 million under the Company's corporate facilities during the three months ended March 31, 2023.

Net Interest Expense

The following table summarizes the net interest expense:

(millions of dollars)	Three Months Ended March 31 2023	2022
Interest on long-term debt	**91**	90
Interest on short-term debt	**2**	1
Interest income	**(25)**	(9)
Interest capitalized to property, plant and equipment and intangible assets	**(34)**	(26)
Interest related to regulatory assets and regulatory liabilities [1]	**2**	(6)
Net interest expense	**36**	50

[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 March 31, 2023 were as follows:

(millions of dollars)		Amount	Maturity
Bank facilities:			
Corporate		**1,892**	May 2027 and September 2027 [1,5]
Corporate	US Dollars	**750**	November 2023 [2]
Lower Mattagami Energy Limited Partnership		**400**	August 2027 [3]
OPG Eagle Creek Holdings LLC and subsidiaries	US Dollars	**25**	August 2023 and October 2028 [4]
OEFC facility [5]		**750**	December 2026

[1] Represents amounts available under the facility net of debt issuances. Of the total credit facilities, $1,000 million matures in May 2027 and $892 million is expected to mature in September 2027 and is available to finance certain expenditures of the Darlington New Nuclear Project, subject to certain conditions.
[2] The facility has a one-year extension option beyond the maturity date of November 2023.
[3] Letter of credit of $60 million was outstanding under this facility as at March 31, 2023.
[4] Of the total credit facility, $5 million matures in August 2023 and $20 million matures in October 2028.
[5] Represents amounts available under the facility, net of debt issuances.

Short-term debt consist of the following:

As at *(millions of dollars)*	March 31 2023	December 31 2022
Lower Mattagami Energy Limited Partnership	**110**	65
Total short-term debt	**110**	65

As of March 31, 2023, a total of $456 million of Letters of Credit had been issued (December 31, 2022 – $439 million). As of March 31, 2023, this included $298 million for the supplementary pension plans, $17 million for OPG Eagle Creek Holdings LLC (Eagle Creek) and its subsidiaries, $60 million for Lower Mattagami Energy Limited Partnership, $43 million for general corporate purposes, $16 million for UMH Energy Partnership, $21 million for Atura Power, and $1 million for PSS Generating Station Limited Partnership.

For the three months ended March 31, 2023, net issuances of short-term debt totalled $45 million (March 31, 2022 – $18 million), which comprised issuances of $110 million (March 31, 2022 – $439 million) and repayments of $65 million (March 31, 2022 – $421 million).

The weighted average interest rate on the short-term debt as at March 31, 2023, is 4.79 percent (December 31, 2022 – 4.55 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 *(millions of dollars)*	**March 31 2023**	**December 31 2022**
Liability for used nuclear fuel management	**14,482**	14,327
Liability for nuclear decommissioning and nuclear low and intermediate level waste management	**9,795**	9,699
Liability for non-nuclear fixed asset removal	**287**	289
Fixed asset removal and nuclear waste management liabilities	**24,564**	24,315

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended March 31, 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	**9**	**-**	**-**	**9**
Translation of foreign operations	**-**	**-**	**(3)**	**(3)**
Amounts reclassified from AOCI	**-**	**(1)**	**-**	**(1)**
Other comprehensive income (loss) for the period	**9**	**(1)**	**(3)**	**5**
Balance, end of period	**3**	**79**	**51**	**133**

	Three Months Ended March 31, 2022			
(millions of dollars)	**Unrealized Gains and Losses on Cash Flow Hedges**	**Pension and OPEB**	**Currency Translation Adjustment**	**Total**
Balance, beginning of period	(7)	(186)	(69)	(262)
Translation of foreign operations	-	-	(26)	(26)
Amounts reclassified from AOCI	3	2	-	5
Other comprehensive income (loss) for the period	3	2	(26)	(21)
Balance, end of period	(4)	(184)	(95)	(283)

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

(millions of dollars)	Amount Reclassified from AOCI for the Three Months Ended March 31 2023	2022	Statement of Income Line Item
Amortization of losses from cash flow hedges			
Losses	**-**	3	Net interest expense
Income tax recovery	**-**	-	Income tax expense
	-	3	
Amortization of amounts related to pension and OPEB			
Actuarial (gains) losses	**(1)**	3	See (1) below
Income tax recovery	**-**	(1)	Income tax expense
	(1)	2	
Total reclassifications for the period	**(1)**	5	

[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 $2 million deferred in AOCL as at March 31, 2023 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 March 31, 2023 and 2022 were as follows:

(millions of dollars)	Registered Pension Plans 2023	2022	Supplementary Pension Plans 2023	2022	Other Post-Employment Benefits 2023	2022
Components of Cost Recognized for the Year						
Current service costs	**46**	86	**1**	2	**16**	22
Interest on projected benefit obligation	**196**	133	**4**	2	**32**	24
Expected return on plan assets, net of expenses	**(250)**	(227)	**-**	-	**-**	-
Amortization of net actuarial loss (gain) [1]	**-**	30	**-**	2	**(13)**	-
Costs recognized [2]	**(8)**	22	**5**	6	**35**	46

[1] The net impact of amortization of net actuarial loss (gain) is recognized as an increase (a decrease) to other comprehensive income. This decrease for the three months ended March 31, 2023 was partially offset by a decrease in the Pension and OPEB Regulatory Liability of $12 million (three months ended March 31, 2022 – a decrease in the Pension and OPEB Regulatory Asset of $29 million).

[2] Pension and OPEB costs for the three months ended March 31, 2023 exclude the net addition of costs of $61 million resulting from the recognition of changes in the regulatory assets and 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 (three months ended March 31, 2022 – net addition of costs of $26 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 United States.

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 March 31, 2023 and December 31, 2022.

The fair value of the derivative instruments totalled a net liability of nil as at March 31, 2023 (December 31, 2022 − $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 March 31, 2023 and December 31, 2022 was as follows:

	Fair Value		Carrying Value [1]		
(millions of dollars)	**2023**	**2022**	**2023**	**2022**	**Balance Sheet Line Item**
Nuclear Segregated Funds (includes current portion) [2]	**20,931**	20,706	**20,931**	20,706	Nuclear fixed asset removal and nuclear waste management funds
Loan receivable - from Fair Hydro Trust	**813**	786	**907**	908	Loan receivable
Investment in Hydro One Limited Shares	**175**	171	**175**	171	Equity securities
Payable related to cash flow hedges	**(2)**	(3)	**(2)**	(3)	Long-term accounts payable and accrued charges
Long-term debt (includes current portion)	**(9,340)**	(9,180)	**(10,131)**	(10,152)	Long-term debt
Other financial instruments	**87**	79	**87**	79	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 (ONFA) 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	**March 31, 2023**			
(millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**6,694**	**5,321**	**-**	**12,015**
Investments measured at NAV [1]				**3,792**
				15,807
Due to Province				**(3,897)**
Used Fuel Segregated Fund, net				**11,910**
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	**5,182**	**4,015**	**-**	**9,197**
Investments measured at NAV [1]				**2,969**
				12,166
Due to Province				**(3,145)**
Decommissioning Segregated Fund, net				**9,021**
Equity securities	**175**	**-**	**-**	**175**
Other financial assets	**37**	**5**	**87**	**129**
Liabilities				
Other financial liabilities	**(33)**	**(5)**	**(4)**	**(42)**

As at	**December 31, 2022**			
(millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Used Fuel Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	6,371	5,141	-	11,512
Investments measured at NAV [1]				3,687
				15,199
Due to Province				(3,412)
Used Fuel Segregated Fund, net				11,787
Decommissioning Segregated Fund				
Investments measured at fair value, excluding investments measured at NAV	4,929	3,862	-	8,791
Investments measured at NAV [1]				2,890
				11,681
Due to Province				(2,762)
Decommissioning Segregated Fund, net				8,919
Equity securities	171	-	-	171
Other financial assets	68	5	91	164
Liabilities				
Other financial liabilities	(75)	(6)	(4)	(85)

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 three months ended March 31, 2023, 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 three months ended March 31, 2023 were as follows:

(millions of dollars)	**Other financial instruments**
Opening balance, January 1, 2023	**87**
Unrealized gains included in revenue	**2**
Realized losses included in revenue	**(8)**
Purchases	**2**
Closing balance, March 31, 2023	**83**

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 March 31, 2023 were as follows:

(millions of dollars except where noted)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice**
Real Assets				
Infrastructure	**3,687**	**1,560**	**n/a**	**n/a**
Real Estate	**2,890**	**1,285**	**n/a**	**n/a**
Agriculture	**184**	**7**	**n/a**	**n/a**
Pooled Funds				
Short-term Investments	**8**	**n/a**	**Daily**	**1-5 days**
Fixed Income	**2,011**	**n/a**	**Daily**	**1-5 days**
Equity	**857**	**n/a**	**Daily**	**1-5 days**
Total	**9,637**	**2,852**		

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

Infrastructure

This class includes investments in funds whose investment objective is to generate a combination of long-term capital appreciation and current income, generally through investments such as energy, transportation and utilities. The fair values of investments in this class have been estimated using NAV of the Nuclear Segregated Funds' ownership interest in these investments. The ownership interest in the respective funds are not redeemable. However, the Nuclear Segregated Funds may transfer any of their ownership interests to another party, as stipulated in the partnership agreements and/or shareholders' agreements. Cash distributions are received based on the operations of the underlying investments and/or as the underlying investments are liquidated. It is not possible to estimate when the underlying assets of the infrastructure funds in this class will be liquidated.

Real Estate

This class includes investments in institutional-grade real estate property. The investment objective is to provide a stable level of income with an opportunity for long-term capital appreciation. The fair values of the investments in this class have been estimated using NAV of the Nuclear Segregated Funds' ownership interest in these investments. The investments in the respective funds are not redeemable. However, the Nuclear Segregated Funds may transfer any of their ownership interests to another party, as stipulated in the partnership agreements and/or shareholders' agreements. For investments in private real estate corporations, shares may be redeemed through a pre-established redemption process. Cash distributions are received based on the operations of the underlying investments and/or as the underlying investments are liquidated. It is not possible to estimate when the underlying assets in this class will be liquidated.

Agriculture

This class includes a diversified portfolio of global farmland investments. The investment objective is to provide a differentiated return source, income yield and inflation protection. The fair values of the investments in this class have been estimated using NAV of the Nuclear Segregated Funds' ownership interest in these investments. The investments in the respective funds are not redeemable. However, the Nuclear Segregated Funds may transfer any of their ownership interests to another party, as stipulated in the partnership agreements and/or shareholders' agreements. Cash distributions are received based on the operations of the underlying investments and/or as the underlying investments are liquidated. It is not possible to estimate when the underlying assets in this class will be liquidated.

Pooled Funds

This class represents investments in pooled funds, which primarily include a diversified portfolio of fixed income securities, issued mainly by Canadian corporations, and diversified portfolios of Emerging Market listed equity. The investment objective of the pooled funds is to achieve capital appreciation and income through professionally managed portfolios. The fair value of the investments in this class has been estimated using NAV per share of the investments. There are no significant restrictions on the ability to sell the investments in this class.

12. SHARE CAPITAL

Common Shares

As at March 31, 2023 and December 31, 2022, OPG had 256,300,010 common shares issued and outstanding at a stated value of $5,126 million. OPG is authorized to issue an unlimited number of common shares without nominal or par value. Any issue of new shares is subject to the consent of OPG's shareholder, the Province.

Class A Shares

The Company's Articles of Amalgamation were amended effective December 1, 2017 to allow for the creation and issuance of non-voting Class A shares to the Province in exchange for equity injections in OPG. All of the outstanding shares are owned directly by the Province and OPG is authorized to issue an unlimited number of Class A shares without nominal or par value. The Class A and common shares rank equally as to entitlement to dividends, and all dividends declared by OPG must be declared in equal amounts per share on all outstanding shares without preference or distinction. Upon the liquidation, dissolution or wind-up of OPG, whether voluntary or involuntary, the holders of Class A shares and common shares are entitled to share equally, on a share for share basis, in all distributions of property and assets without preference or distinction. Any issue of new class of shares is subject to the consent of the Province. OPG is entitled to redeem outstanding Class A shares as may be approved by OPG's Board of Directors.

As at March 31, 2023 and December 31, 2022, OPG had 18,343,815 Class A shares issued and outstanding at a stated value of $787 million.

13. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing net income attributable to the Shareholder by the weighted average number of shares outstanding.

Class A shares are included in the weighted average number of shares outstanding. The weighted average number of shares outstanding as at March 31, 2023 and December 31, 2022 was 274.6 million. There were no dilutive securities during the three months ended March 31, 2023 and for the year ended December 31, 2022.

14. 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 consolidated financial position.

Guarantees

As at March 31, 2023, the total amount of guarantees provided by OPG was $35 million (December 31, 2022 – $35 million). As at March 31, 2023, 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 March 31, 2023 were as follows:

(millions of dollars)	**2023 [1]**	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Total**
Fuel supply agreements	104	139	146	92	69	170	720
Contributions to the OPG registered pension plan [2]	144	197	-	-	-	-	341
Long-term debt repayment	23	606	589	674	530	7,743	10,165
Interest on long-term debt	278	367	353	336	327	4,502	6,163
Short-term debt repayment	110	-	-	-	-	-	110
Commitments related to Darlington Refurbishment project [3]	196	-	-	-	-	-	196
Operating licences	40	53	55	56	49	205	458
Operating lease obligations	11	13	10	9	7	19	69
Accounts payable, accrued charges and other payables	1,322	-	-	-	-	-	1,322
Other	19	16	16	13	12	90	166
Total	2,247	1,391	1,169	1,180	994	12,729	19,710

[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, 2022. The next actuarial valuation of the OPG registered pension plan must have an effective date no later than January 1, 2025. 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, 2025 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 project, 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 Company maintains labour agreements with the Power Workers' Union (PWU) and the Society of United Professionals (Society).

The governing one-year collective agreement between the PWU and OPG expired on March 31, 2022. On April 11, 2023, the PWU ratified a two-year renewal collective agreement negotiated by the parties, covering the period from April 1, 2022 to March 31, 2024. The PWU bargaining unit represents over 50 percent of OPG's workforce. As the agreement was established subsequent to the issuance of the Bill 124 Court Decision, it is not currently subject to the requirements of Bill 124.

The current two-year collective agreement between the Society and OPG expires on December 31, 2023. The collective agreement was established by an arbitration award issued in December 2021 and covered the first two years of the corresponding three-year moderation period under Bill 124. On May 8, 2023, the arbitrator issued an award that modified the collective agreement to reflect increased compensation under the provisions of the original arbitration award that allowed for reopening of compensation provisions in the event Bill 124 ceased to be in effect. The Society bargaining unit represents over 30 percent of OPG's workforce.

Compensation cost impacts that arise from the renewal collective agreement with the PWU and the arbitration award related to the reopening of the governing collective agreement with the Society as a result of the overturning of Bill 124 are expected to be largely offset by the impact of the variance account established by the OEB for this purpose on an interim basis, subject to the OEB's final determination with respect to the account's establishment. OPG's obligations under the collective agreements may be affected by the outcome of the Government of Ontario's ongoing appeal of the Bill 124 Court Decision.

15. BUSINESS SEGMENTS

Segment Income (Loss) For the Three Months Ended March 31, 2023 *(millions of dollars)*	**Regulated** Nuclear Generation	Nuclear Sustainability Services	Hydroelectric Generation	**Unregulated** Contracted Hydroelectric and Other Generation	Atura Power	Other	Elimination	Total
Revenue	1,033	-	385	194	176	6	-	1,794
Leasing revenue	7	-	-	-	-	2	-	9
Other revenue	-	48	-	23	-	28	(72)	27
Total revenue	1,040	48	385	217	176	36	(72)	1,830
Fuel expense	67	-	66	15	62	-	-	210
Gross margin	973	48	319	202	114	36	(72)	1,620
Operations, maintenance and administration expenses	559	48	97	71	17	29	(72)	749
Depreciation and amortization expenses	131	-	45	41	29	17	-	263
Accretion on fixed asset removal and nuclear waste management liabilities	-	292	-	2	-	1	-	295
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(259)	-	-	-	-	-	(259)
Property taxes	6	-	-	4	1	-	-	11
Other losses	-	-	-	-	-	1	-	1
Income (loss) before interest and income taxes	277	(33)	177	84	67	(12)	-	560
Net interest expense								36
Income before income taxes								524
Income tax expense								91
Net income								433

Segment Income (Loss) For the Three Months Ended March 31, 2022 *(millions of dollars)*	**Regulated** Nuclear Generation	Nuclear Sustainability Services	Hydroelectric Generation	**Unregulated** Contracted Hydroelectric and Other Generation	Atura Power	Other	Elimination	Total
Revenue	1,125	-	387	203	226	18	-	1,959
Leasing revenue	7	-	-	-	-	3	-	10
Other revenue	-	50	-	-	-	7	(68)	(11)
Total revenue	1,132	50	387	203	226	28	(68)	1,958
Fuel expense	68	-	64	12	102	-	-	246
Gross margin	1,064	50	323	191	124	28	(68)	1,712
Operations, maintenance and administration expenses	559	50	86	55	15	20	(68)	717
Depreciation and amortization expenses	151	-	42	38	28	17	-	276
Accretion on fixed asset removal and nuclear waste management liabilities	-	283	-	2	-	1	-	286
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(258)	-	-	-	-	-	(258)
Property taxes	5	-	1	6	1	-	-	13
Other losses (gains)	-	-	1	1	-	(5)	-	(3)
Income (loss) before interest and taxes	349	(25)	193	89	80	(5)	-	681
Net interest expense								50
Income before income taxes								631
Income tax expense								124
Net income								507

16. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	Three Months Ended March 31	
(millions of dollars)	**2023**	**2022**
Receivables from related parties	**(77)**	(41)
Fuel Inventory	**(47)**	(35)
Materials and supplies	**7**	11
Prepaid expenses	**18**	(3)
Other current assets	**27**	24
Accounts payable, accrued charges and other payables	**(135)**	82
Net changes to non-cash working capital balances	**(207)**	38

17. PURCHASE OF REAL ESTATE SITE

In February 2023, OPG acquired the building and surrounding lands at 1908 Colonel Sam Drive in Oshawa, Ontario, for $102 million. The building will be retrofitted prior to occupancy and will serve as the Company's new corporate headquarters.

18. ASSETS HELD FOR SALE

As at December 31, 2022, OPG's wholly-owned subsidiary, Eagle Creek, has committed to a plan to sell 22 hydroelectric generating stations in the US with a total capacity of approximately 47 MW across a number of states, along with two storage reservoirs in the Mid-Western US, as part of the Company's strategy to optimize the US hydroelectric portfolio. The sale is expected to be completed in the second half of 2023, subject to regulatory approval. The assets are no longer depreciated or amortized effective September 30, 2022 and are held within Other current assets on the consolidated balance sheet within the Contracted Hydroelectric and Other Generation business segment.