Ontario Power Generation

Update on Fair Hydro Plan Financing Program

November 29, 2017

ONTARIO POWER GENERATION

Context

- Provide an update for Ministers on Ontario Power Generation (OPG) financing activities
- Update on discussions with rating agencies
- Outline of next steps

ONTARIO POWER GENERATION

Rating Agencies' Status

OPG has engaged the following rating agencies (i.e., DBRS and Moody's) to provide credit ratings on the Fair Hydro Trust's (FHT) senior debt (i.e., Tranche A) and subordinated debt (i.e., Tranche B and Tranche C)

<u>Completed To-Date:</u>

- OPG has provided drafts of all requisite program agreements for rating agencies' review
- Several meetings have occurred between management, financial advisors and rating agencies to review key elements of the program
- Initial comments received from rating agencies have been addressed
- The Independent Electricity System Operator (IESO) servicing review was conducted with rating agencies, dealers, and OPG

<u>Outstanding</u>:

- DBRS and Moody's to complete review of final documentation and provide preliminary credit ratings for all debt tranches by **<u>week of December 11th</u>**

Short-Term Warehouse

OPG is securing an $800 million warehouse facility agreement with a bank syndicate comprising of CIBC, RBC and Goldman Sachs under a 2 -year committed term

<u>Proposed December 2017 Transaction</u>

- Regulatory asset available to be purchased from IESO is expected to be approximately $1.2 billion, representing accumulated deferrals up to the end of November 2017
- OPG advises that better market access for term debt is expected in January 2018. The FHT will fund the December transaction using the following sources:
  - Short-term warehousing facility for 51% or ~$610 million;
  - Province's equity injection for 44% or ~$530 million; and
  - OPG's contribution for 5% or ~$60 million

ONTARIO POWER GENERATION

Indicative Marketing Timeline

The following outlines the proposed timeline for funding the initial regulatory asset purchase from IESO:

Activity	Indicative Timeline
Term Debt Rating Agencies' Preliminary Assessment	Week of December 11, 2017
Warehouse Facility Closing & Funding	December 18, 2017
Term Debt Rating Agencies' Confirmation of Ratings	Week of January 8, 2018
Marketing & Roadshow (Toronto, Montreal & Vancouver)	Week of January 15, 2018
Term Debt Pricing	Week of January 22, 2018
Term Debt Closing	T+5 of Pricing Date

Next Steps

- Finalize Change of Law Protection Agreement by week of December 4, 2017
- Complete rating agencies' process by week of December 11, 2017
- Fund equity contribution and close short-term warehouse on December 18, 2017 for purchase of regulatory asset from IESO
- Market and close long-term debt in January 2018