

Fair Hydro Trust Investor Presentation

January [xx], 2018

General Comments:

- A. Please consider adding an executive summary given the density of the presentation.**
- B. Please consider focusing on the mechanics of the FHPA.**



Disclaimers

This presentation and its contents are being supplied for informational purposes only by Fair Hydro Trust (the Issuer) and are not an offer to buy or sell or a solicitation of an offer to buy or sell any securities of the Issuer.

This presentation does not, and does not purport to, contain all information that may be material to an investment decision in respect of the Issuer's Notes. It is only a summary of certain information in respect of the Issuer. Prior to making an investment decision with respect to the Issuer's Notes, prospective investors should carefully review the Confidential Shelf Offering Memorandum, including the related Term Sheet, pursuant to which such Notes are offered (the Offering Memorandum). The information and opinions contained in this presentation are qualified in their entirety by reference to the Offering Memorandum. **[Consider indicating that the presentation is incorporated by reference into and forms part of the OM]** In particular, reference should be made to the risks of any investment in the Issuer's Notes offered and the statutory rights of rescission or rights to damages available to purchasers of such Notes described in the Offering Memorandum. No representation or warranty, express or implied, is given by or on behalf of the Issuer, the Agents or any other person as to the accuracy or completeness of the information or opinions contained in this presentation.

Some of the statements contained in this presentation, including those relating to the Issuer's expectations, forecasts, strategic and other statements, are forward-looking information within the meaning of securities laws. The forward-looking information contained in this presentation is presented for the purposes of assisting prospective purchasers in making an investment decision regarding the Notes and may not be appropriate for other circumstances. Reference should be made to the information under the headings "Caution Regarding Forward-Looking Information" and "Risk Factors" in the Offering Memorandum.

The information presented herein is only current as of the date on the cover of this presentation. Except as required by law, neither the Issuer nor Ontario Power Generation (OPG) intends, or assumes any obligation, to revise or update any information in this presentation.

By attending this presentation, or accepting a copy of this presentation, each prospective purchaser agrees that all information contained herein, all documents delivered in connection herewith and all other information obtained by such prospective purchaser in relation to the Issuer or OPG (collectively, the Confidential Information) is confidential, that none of the Confidential Information will be copied, transcribed, recorded or transmitted by the recipient for any reason or used for any purpose other than evaluating an investment in the Issuer's Notes, and that the recipient will hold all of the Confidential Information in confidence and will not provide any of it to third parties other than persons retained to advise the recipient with respect to the purchase of the Issuer's Notes (so long as they advise such persons of the confidential nature of such Confidential Information), without the prior written consent of the Issuer and OPG.

Presenters



Ken Hartwick

Chief Financial Officer & Senior
Vice President – Finance

John Lee

Vice President, Treasurer

Table of Contents

- I. Introduction and Transaction Overview
- II. Ontario Electricity Market
- III. Legislative and Regulatory Framework
- IV. Contractual Framework
- V. Financing Program
- VI. Summary of the Offering
- VII. Key Risks and Mitigants
- VIII. Investment Highlights



I. Introduction and Transaction Overview

Introduction

Ontario's Fair Hydro Plan

- The Province of Ontario announced its Fair Hydro Plan (FHP) on March 2, 2017, which proposed to lower the average electricity bill for eligible customers¹ (referred to as Specified Consumers) by 25% (the Fair Adjustment)
- The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax granted by the Ontario government in January 2017
- It is expected that the rate reduction will be in effect until April 30, 2021, with any rate increases until that date limited to the rate of inflation in Ontario
- **[Rather introduce by focusing on the enacted legislation. Earlier plan and announcement were superceded by the more detailed context of the legislation.]**

Legislation

- On June 1, 2017, the Ontario government passed the *Ontario Fair Hydro Plan Act, 2017* (~~together, with the regulations promulgated thereunder,~~ the "FHPA" or "Act") to give effect to the FHP, ~~legislation that reallocates certain electricity costs over time and provides immediate rate relief contemplated by the Fair Hydro Plan to Specified Consumers.~~ **[Track the purpose language in s. 3 OFHPA. Rate reduction is incidental and need not be emphasized.]**
- The FHPA is supplemented by regulations related to the implementation of the FHPA (the "Regulations" and (together, with the FHPA, the "[Legislation]").
- The FHPA imposes an irrevocable and non-bypassable charge recoverable from Specified Consumers and referred to as the Clean Energy Adjustment (CEA). The CEA for a period ~~that~~ will be determined in accordance with the Legislation by Ontario Power Generation (OPG) in its role as Financial Services Manager under the Act.
- The CEA will be determined for each month during successive six month reference periods and will be ~~period and~~ converted by the Ontario Energy Board (OEB) into a cent per \$/kWh rate and added to electricity invoices sent to Specified Consumers ~~commencing on May 1, 2021.~~
- From [July 1, 2017] to April 30, 2021 (the "Moratorium Period"), no payments in respect of the CEA are expected to be collected. During the Moratorium Period and until July 31, 2021, ~~CEA will be collected; during this period~~ the Independent Electricity System Operator (IESO) is obligated to pay all funding and [other expenses] of the [Trust][Financing Entities] (excluding principal) (referred to as "Carrying Costs") under the Regulations. **[Confirm square bracketed information.]**

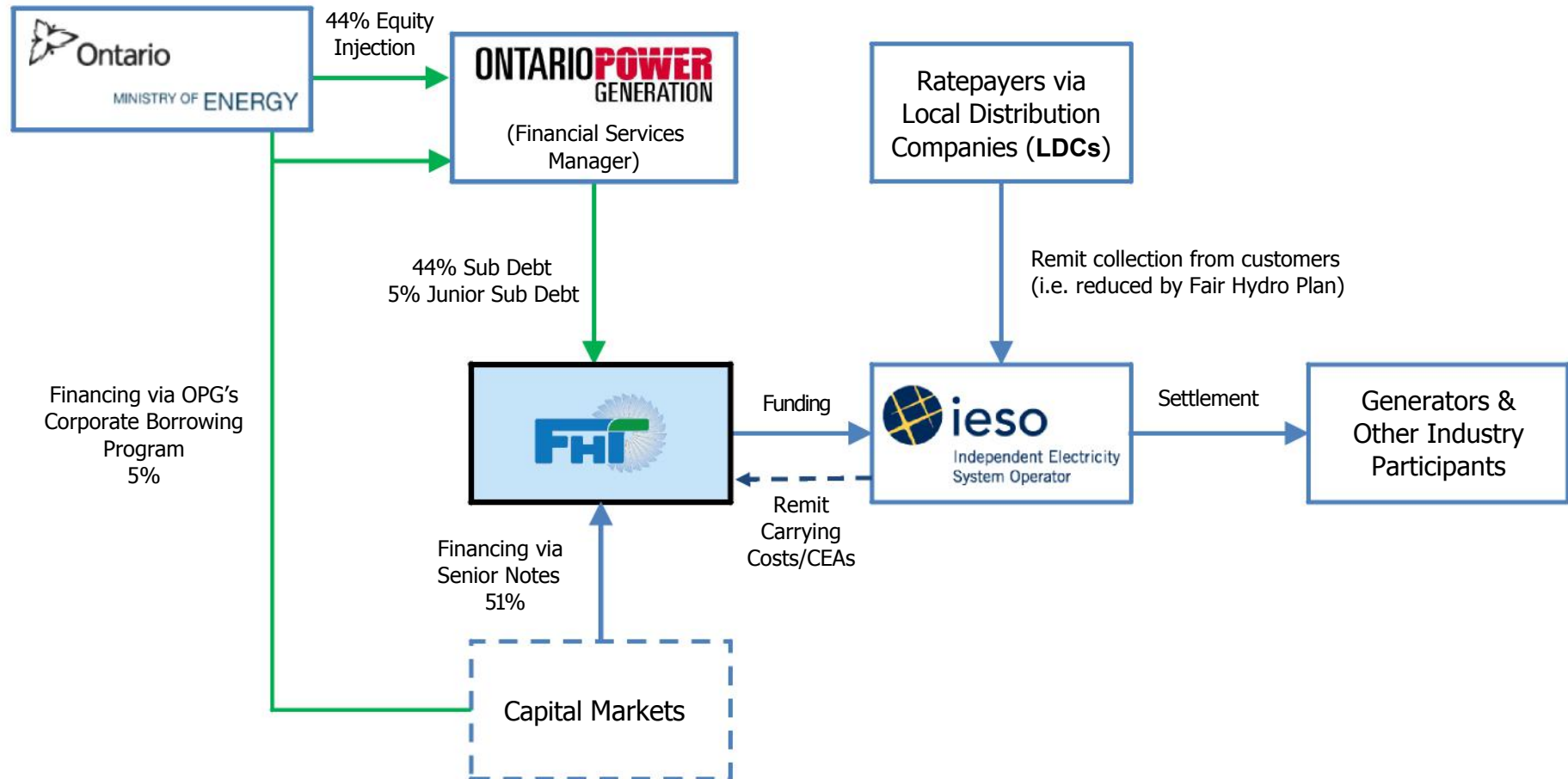
Fair Hydro Trust

- The implementation of the Fair Hydro Plan will be financed by the Fair Hydro Trust ("FHT", the "Trust" or the "Issuer") **[Consider other financing entities?]** through the issuance of senior, subordinated and junior subordinated notes.
- Structured to be bankruptcy remote and even though consolidated by OPG on an accounting basis is ring fenced from OPG's other creditors
- The FHT term notes will be repaid through the CEA payments received from Specified Consumers or from the proceeds of one or more refinancings.

¹ Primarily Regulated Price Plan-eligible customers.

Transaction Structure

- Concurrent with every issuance of senior notes, it is expected that OPG will purchase subordinated debt and junior subordinated debt of the Trust in an aggregate amount not to exceed 49% of all outstanding debt



Note: The diagram above is based on subordinated debt of 49% of all outstanding debt; under the Master Trust Indenture, the Trust covenants to maintain the level of subordinated debt plus junior subordinated debt at not less than [35% of all outstanding debt] **[Elaborate]**

Note: The assets and liabilities of the Trust are deemed, under the *Electricity Act, 1998* to exclude the assets and liabilities of OPG, and vice versa. **[Needed?]**

II. Ontario Electricity Market

Overview of Ontario's Electricity Market

- Highly regulated electricity market comprised primarily of three components: generation, transmission and distribution; ~\$22 billion in average annual cash flows¹
- Transmission rates, distribution rates, and OPG's regulated rates are set by the OEB
- Rates for the majority of the remaining generation supply are set by direct contracts with the IESO (e.g. wind, solar, hydroelectric)



¹ Source: "Ontario Planning Outlook – A technical report on the electricity system prepared by the IESO" dated September 1, 2016. The amount represents the mathematical average of the system costs on page 44 in the appendix to the technical report, entitled "Data Tables for the OPO Technical Report".

Key Industry Participants

Participants	Credit Ratings (DBRS / S&P / Moody's)	Description
	AA (I) / A+ / Aa2 ¹	The Province of Ontario through the Ministry of Energy sets the policy for the electricity system
	--	- Independent public regulatory agency established under the <i>Ontario Energy Board Act, 1998</i> and has the authority to regulate Ontario's electricity market, including the activities of transmitters and distributors - Sets the regulated price for the commodity cost charged to most residential electricity customers via the Regulated Price Plan (RPP); RPP rates are set twice a year (May and November)
	A(h) / -- / Aa2	- Not-for-profit corporation established under the <i>Electricity Act, 1998 (Ontario)</i> - Manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market
	A(I) / BBB+ / --	- Corporation formed under the <i>Business Corporation Act (Ontario)</i>, whose sole shareholder is the Province of Ontario - Principal business is the generation and sale of electricity in Ontario and is Ontario's largest clean energy electricity generator, providing approximately half of the province's electricity
	A(h) / A / A3	Ontario's largest electricity transmission and distribution company, delivering electricity to over 1.3 million customers across the province, and to large industrial customers and municipal utilities [Relevance? Not named in OM.]

¹ The credit ratings noted are for the Province of Ontario.

Key Industry Participants – LDC Overview

- As part of the restructuring of Ontario's electricity industry under the *Energy Competition Act, 1998*, the municipal electricity utilities became municipally-owned business corporations, including LDCs. The majority of LDCs continue to be municipally-owned, while others have been sold to or acquired by Hydro One or private-sector owners
- An LDC is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors

Select Aggregate Market Stats¹

Number of LDCs in Ontario	65
Residential & Small Commercial ² Revenue	\$18.89 billion
Residential & Small Commercial ² Metered Usage (kWh)	52.39 billion
Residential Customers	4.61 million
Small Commercial ² Usage Customers	0.44 million
Total Residential & Small Commercial ² Customers	5.05 million

Top 5 LDCs by Customer Base¹

	Rating ³ (S&P/DBRS/Moody's)	Customers ⁴ (MM)	Revenue ⁴ (C\$MM)
	A / A(h) / A3	1.30	\$4,533
	A / A / --	0.96	\$3,642
	A / A / --	0.75	\$3,886
	BBB+ / A / --	0.32	\$1,130
	A / -- / --	0.15	\$488
		3.49	\$13,680

¹ Source: OEB 2016 Yearbook of Electricity Distributors **[Update?]**

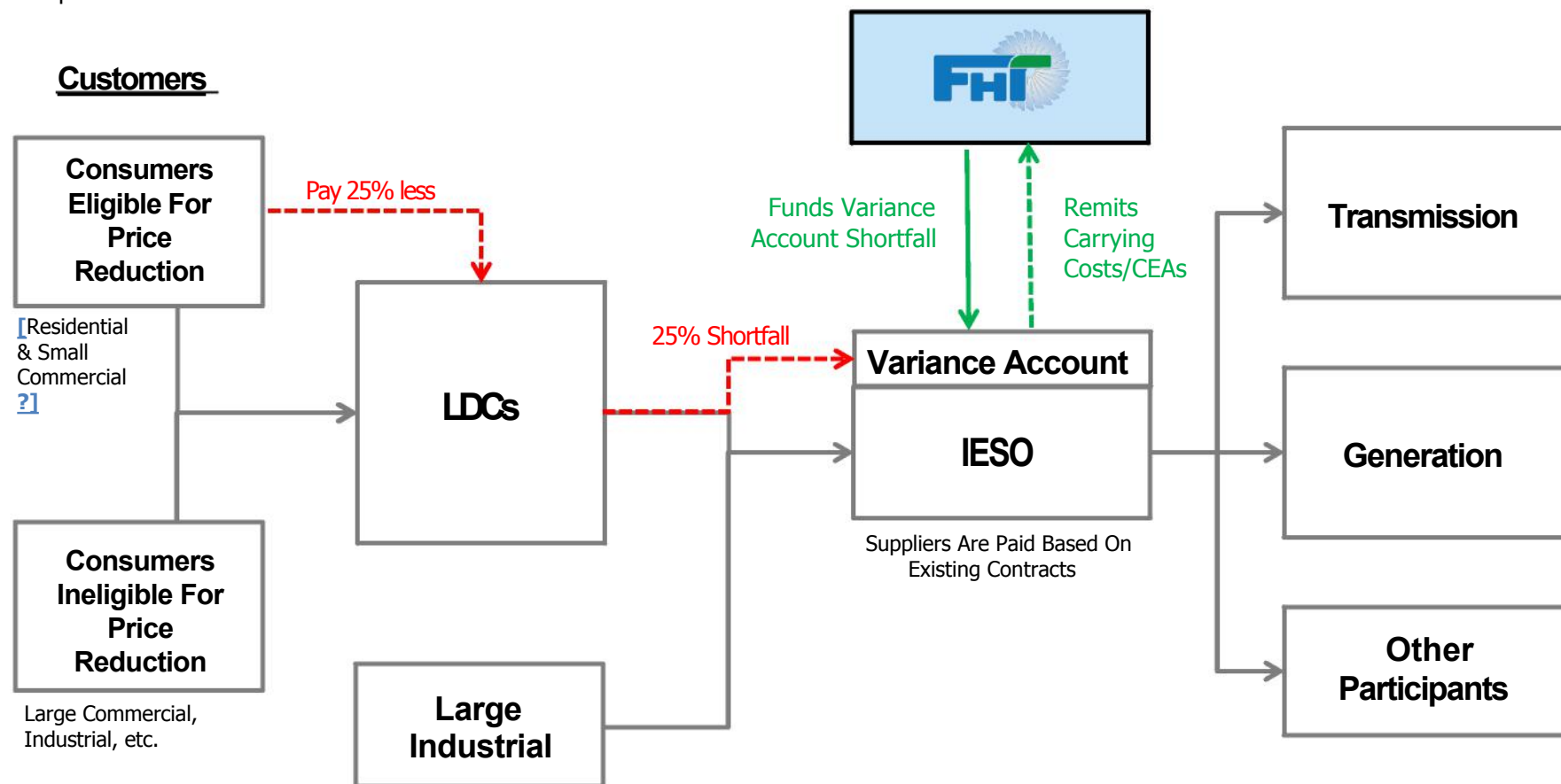
² Small Commercial includes General Service <50kW Customers

³ Most recent rating reports from S&P, DBRS and Moody's

⁴ Residential and Small Commercial customers **[Compare to Specified Consumers?]**

Electricity Market with FHT

- Under the FHPA, each month the IESO determines the shortfall that [results from the Fair Adjustment] **[Please consider more precisions. See the statutory definition of "IESO deferral".]** and records this amount, together with financing costs, in a variance account
- FHT will [acquire the Investment Interest to be financed by...] ~~finance the shortfall and is entitled to recover~~ The acquired Investment Interest entitles FHT to be paid an amount determined by reference to its costs and the principal and interest on its debt, through CEAs from Specified Consumers



III. Legislative and Regulatory Framework

Legislation Overview

Purpose

- The FHPA was enacted to ensure that clean energy costs and clean energy benefits are fairly allocated among present and future Specified Consumers
- Clean energy costs are costs allocated to consumers as a result of Ontario's clean energy initiatives; clean energy benefits are benefits that accrue to both present and future electricity consumers

Specified Consumers

- A category of consumers that generally is comprised of residential consumers, small businesses and farms
- Includes consumers with a demand for electricity of 50 kW or less or those that use not more than 250,000 kWh of electricity annually

Rate Reduction Period

- **July 1, 2017 – April 30, 2018** – Specified Consumers charged an invoice amount that is 25%¹ less than the regulated rate that would otherwise have been determined by the OEB; the 25% reduction includes an 8% rebate equivalent to the provincial portion of the HST previously granted by the Ontario government
- **May 1, 2018 – April 30, 2019** - regulated rate established in the first year of the Rate Reduction Period anticipated to increase by the rate of inflation in Ontario
- **May 1, 2019 – April 30, 2021** - rate reductions [will be established by future regulation] but anticipated to increase by the rate of inflation in Ontario

¹ Based on a typical Toronto Hydro customer; the amount of the reduction for any given Specified Consumer may vary from this account.

Legislation Overview, cont'd

Regulatory Asset

- Each month the IESO determines [the shortfall that results from the Fair Adjustment] **[Replace with concept of IESO deferral]** and records this amount, together with the costs of financing the shortfall, in a variance account
- The IESO has the right to recover the balance recorded in the variance account from Specified Consumers (such right is the "Regulatory Asset")
- The IESO may transfer a specified portion of the Regulatory Asset to [\[the Trust\]](#) for a cash purchase price equal to the [corresponding](#) amount recorded in the variance account

Investment Asset and Investment Interests

- The Trust is not obligated to purchase Regulatory Assets from the IESO
- If the IESO and the Trust agree to the transfer of a specified portion of the Regulatory Asset, such transfer results in the creation of a current and irrevocable property right that is immediately vested in the Trust (such right is an ["Investment Interest"](#))
- By acquiring an Investment Interest, [\[the Trust\]](#) will be entitled to recover all of its [associated](#) financing costs and acquires the right to impose, invoice, collect, receive and recover CEAs from Specified Consumers [in accordance with the Legislation](#)

Moratorium Period

(July 1, 2017 to April 30, 2021)

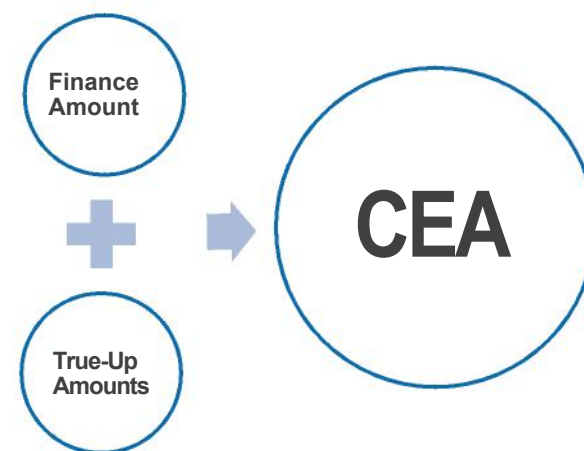
- CEAs are [\[not permitted to be collected from Specified Consumers during this period\]](#) **[Conform to Legislation]**
- The IESO is obligated to pay [\[the Trust\]](#) all Carrying Costs, excluding repayment of principal on any debt obligations, during the Moratorium Period and extending to July 31, 2021. The Carrying Costs incurred by the IESO will be added to its Regulatory Asset variance account pursuant to Regulations
- As security for the performance of its obligations, the IESO has granted the Trust a first-priority security interest in all of its accounts receivable [owing by Electricity Vendors to the IESO](#)
- The IESO has a \$2 billion general credit facility from the Ontario Financing Authority (OFA) which can be used to pay the Carrying Costs **[Suggestive that OFA line will necessarily be available to cover varying costs?]**

Clean Energy Adjustments

- Under the FHPA, the CEA is the amount payable by Specified Consumers to cover the [cost of financing the shortfall from the Fair Adjustment] **[consider precision/alignment with Legislation]** and the associated costs of the financing, including payment of principal, operating costs of the Trust and funding of reserve accounts
- CEAs shown on an invoice issued to Specified Consumers represents the amount of the consumers' indebtedness and may not be set off or bypassed

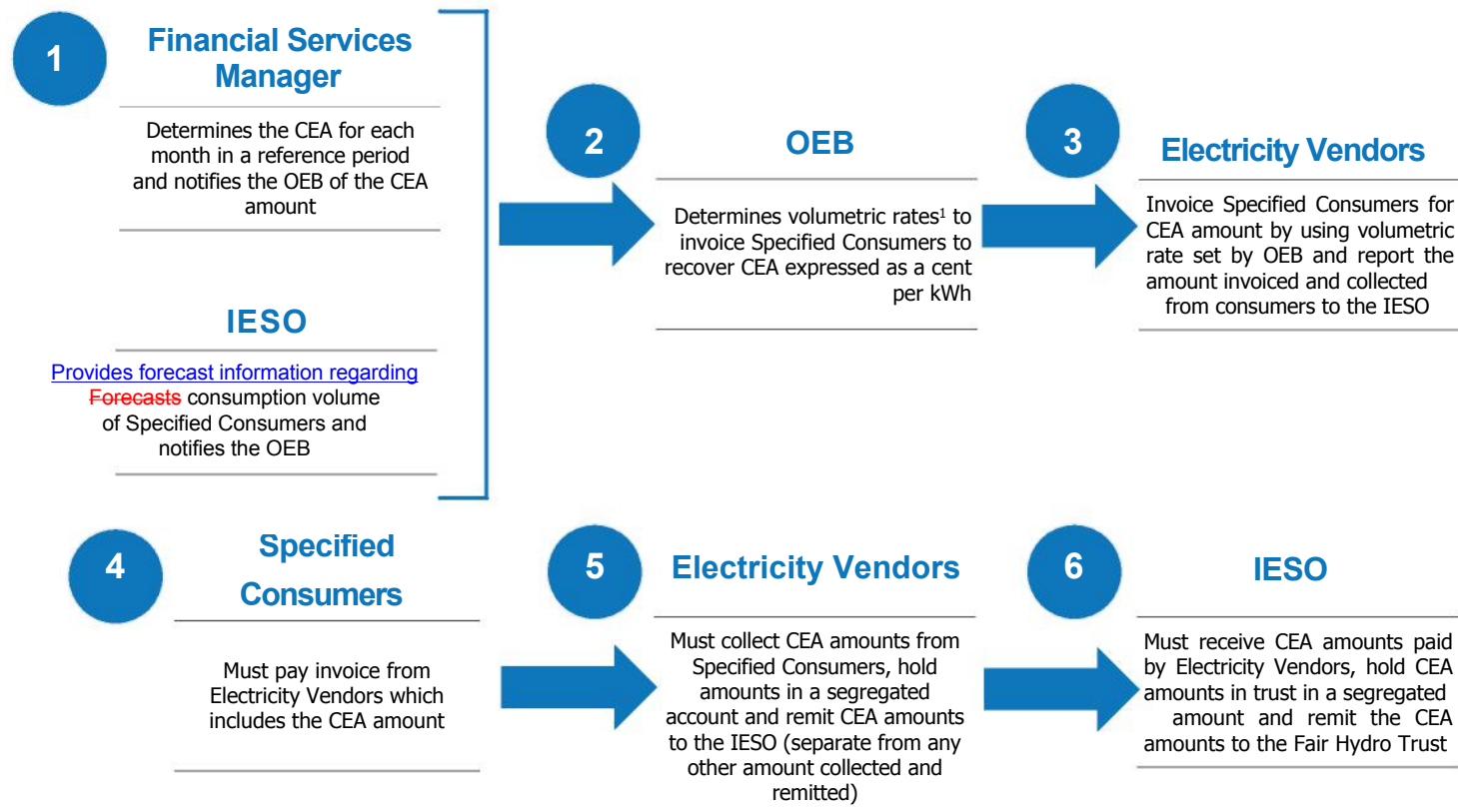
Finance amount = estimate of the amount payable by the Trust mainly in respect of principal payments, interest costs, Trust expenses and taxes, reserve account deposits and derivative payments

True-up amounts capture the difference between the finance amounts incurred by the Trust and the CEAs collected from Specified Consumers and also include other anticipated shortfalls and differences due to various factors (e.g. consumer defaults and delays, billing lags, write-offs and variations in electricity consumption)



Billing and Collection of CEAs

- CEA amounts for billing and collection purposes will be managed outside of the IESO's current settlement processes set out in the Market Rules for electricity invoice amounts
- Collection risk for CEA amounts are mitigated through statutory rights in the FHPA, the collection obligations of the IESO under the Master Transfer & Servicing Agreement (MTSA), and the ability to include amounts into the true up mechanism
- IESO is allowed to commingle the CEAs during a monthly period before remitting to FHT. If the IESO's rating is downgraded below investment grade, it will not be allowed to commingle CEAs and will remit within two business days of receipt

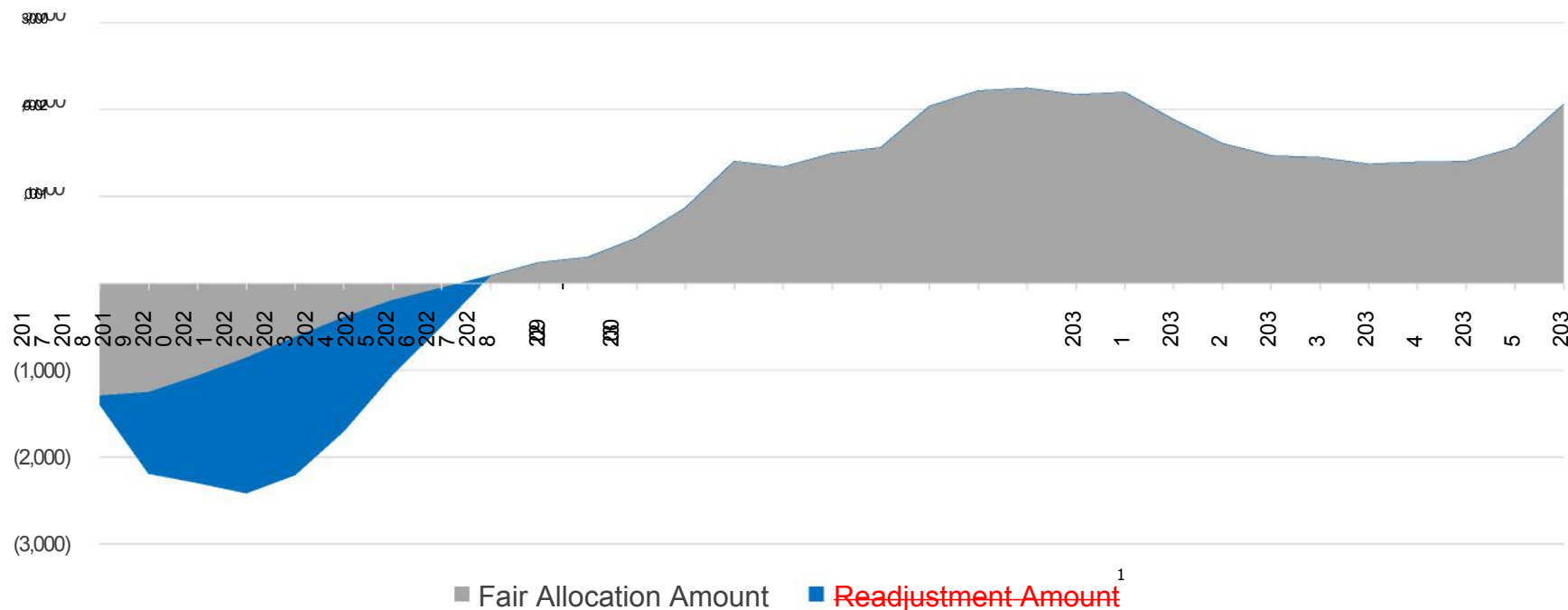


¹ The rates will be determined by dividing the CEA amount by the forecasted energy consumption in the reference period by Specified Consumers.

[Please note that the graph on this slide was distorted in converting the pdf to Word to insert comments.]

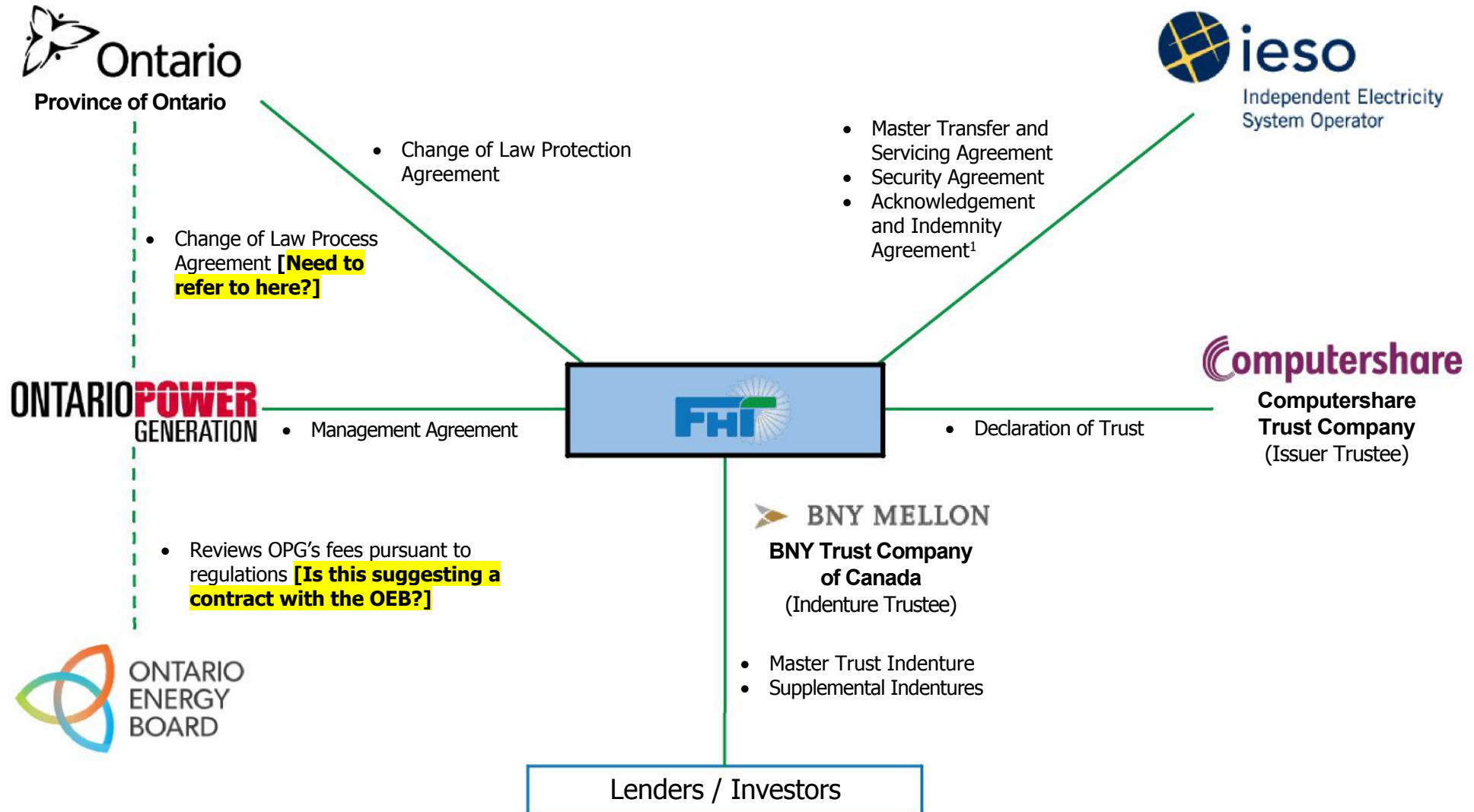
[Please delete the text on this slide. Fair allocation amount is a calculation amount. It is not based on an expectation – it is an absolute value at a point in time.]

[Please revise the chart to aggregate the Fair Allocation Amount and Readjustment Amount such that only one indistinguishable amount is shown.]



IV. Contractual Framework

Simplified Contractual Structure



¹ Agreement between IESO and Indenture Trustee.

Key Agreements

Change of Law Protection Agreement

Parties	(1) Province of Ontario and (2) Indenture Trustee, as Trustee of the Issuer, on behalf of Specified Creditors¹ <u>as trustee for Specified Creditors¹</u>, and (3) OPG as Financial Services Manager (FSM) <u>and as Manager</u>
Purpose	Provides assurance to Specified Creditors that upon the occurrence of a Protection Event referred to below, the Province of Ontario will pay all Approved Obligations on behalf of the Trust, with limited rights of acceleration
Key Terms	Term: Continues for as long as any protected obligations of the Trust that are secured under the Master Trust Indenture (MTI) remain outstanding [Conform to agreement] Limited Guarantee Mandatory Payment: Upon the occurrence of a Protection Event, the Indenture Trustee has the right to require the Province to pay all Approved Obligations when due and payable <u>(subject to limits on payment obligations following an acceleration)</u> Priority of Payments: The priority <u>application</u> of <u>guarantee</u> payments is governed by the waterfall provision under the MTI Adherence Conditions: <u>For the Limited Guarantee to apply to an obligation of the Trust,</u> OPG as FSM is required to comply with certain conditions, including the delivery of an Adherence Compliance Certificate, prior to the <u>incurrence of such obligation (such obligation called an</u> issuance of debt which is to benefit from the Change of Law Protection Agreement from the Province (such debt "Approved Obligations") Suspension Notice: The Province may deliver a suspension notice upon the occurrence of the acceleration of any indebtedness of the Trust <u>or other [Program Breach]</u> or a default in performance or misrepresentation by OPG as FSM pursuant to certain internal reporting and other requirements contained in a <u>change of law</u> process agreement between OPG and the Province. <u>Any</u> , and any new funding obligations that are incurred during a suspension period will not have the benefit of the <u>Limited Guarantee Change of Law Protection Agreement,</u> except that the Change of Law Protection Agreement applies to Post-Suspension Refinancing of previously issued Pre-Approved Refinancing

¹ **Specified Creditors** are any other Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

Key Agreements

Change of Law Protection Agreement (cont'd)

Protection Events

The occurrence of any of the following events:

(1)

- The Legislature repeals (and does not replace on an equivalent basis) or amends the Act or any portion thereof as in effect on the date hereof
- The Legislature enacts or amends any other statute
- The Lieutenant Governor in Council repeals (and does not replace on an equivalent basis) the regulations made under the Act or any portion thereof as in effect on the date hereof
- The Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "Regulation" (as defined in Part III of the Legislation Act, 2006) as in effect on the date hereof
- The implementation of a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province or an entity controlled by the Province

in each case that adversely affects the ability of the Trust to pay its obligations when due and payable, taking into account any funds available in reserve accounts, any credit enhancement available and any reasonably expected potential effect of a true-up amount

(2)

- A court of competent jurisdiction determines that all or a portion of the Act or the regulations made under the Act, is *ultra vires* or invalid in a way that adversely affects the ability of the Trust to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable

Key Agreements (cont'd)

Master Transfer and Servicing Agreement

Parties

- (1) IESO, as transferor and servicer; (2) Trust

Purpose

- Provides for the transfer, by the IESO to [the Trust] of the Regulatory Asset, and upon such transfer the Trust acquires an Investment Interest and describes the servicing obligations of IESO

Key Terms

- **Transfer of Regulatory Asset:** The IESO may offer, no more frequently than monthly, to transfer [the specified portions of](#) the Regulatory Asset to the Trust. The Trust has the right, but not the obligation, to accept IESO's offer.
- **Servicing Duties:** The IESO will be responsible for servicing the Investment Interest under the regulations **[Consider distinguishing MTSA and regulations]**, including collecting CEA amounts from Electricity Vendors and remitting the same to the [Trust], including:
 - Establishing a segregated account for collecting CEAs and use reasonable efforts to cause Electricity Vendors to do the same;
 - Collect CEAs from Electricity Vendors;
 - Remit CEAs monthly to [the Trust] (unless downgraded below investment grade in which case it will remit daily);
 - Prepare monthly servicer reports; and
 - Forecast electricity consumption of Specified Consumers
- **Moratorium Period:** During the Moratorium Period (until April 30, 2021) and extending to July 31, 2021, the IESO is required by regulation to fund all Carrying Costs of the Trust. The Carrying Costs incurred by the IESO will be added to its Regulatory Asset variance account pursuant to regulation.
- **IESO Letter of Credit:** After the Moratorium Period, the IESO will provide the Trust, a letter of credit or other form of security, as security for the commingling risk of CEAs collected by non-rated or non-investment grade rated Electricity Vendors and not yet remitted to the IESO

Key Agreements (cont'd)

Management Agreement

Parties	(1) Issuer Trustee, on behalf of the Trust, and (2) OPG, as Manager and acknowledged and accepted by the Indenture Trustee, <u>as trustee for</u> on behalf of Specified Creditors
Purpose	Issuer Trustee delegates to the Manager all powers and duties of managing the Trust
Key Terms	Duties Include: - Negotiating and executing program agreements; - Preparing, in accordance with applicable securities laws, any offering documents to be furnished by the Trust to prospective purchasers of funding obligations; - Review or cause to be reviewed, records of electricity vendors on an annual basis with respect to CEAs (or less frequently in certain circumstances); - Preparing monthly portfolio reports; - Preparing financial statements; and [Paying taxes on behalf of the Trust] [Confirm OPG's obligation re tax] Incurrence of Funding Obligations: Manager will determine how and when to incur funding obligations to acquire Investment Interests [Or is this the FSM?] Standard of Care: Manager will perform its duties diligently and in conformity with the Trust's obligations under the program agreements Resignation/ Termination: Manager may not resign from its duties or terminate the Management Agreement as long as funding obligations of the Trust are outstanding Management Fees: OPG is entitled to charge the Issuer a fee to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer

Key Agreements (cont'd)

Other Key Agreements

Security Agreement

- As security for the performance of its obligations under the Regulations to pay the Trust's carrying cost during the Moratorium Period, IESO has granted the Trust a first priority security interest in all of its accounts receivable [owing by Electricity Vendors](#)

Acknowledgement and Indemnity Agreement (IESO)

- IESO, as servicer under the MTSA, acknowledges that a security interest has been granted to the Indenture Trustee thereby assigning as security the rights and benefits of the Issuer under the MTSA to the Indenture Trustee, including the right to enforce the indemnities provided to the issuer with respect to IESO's duties and obligations under the MTSA

Change of Law Process Agreement

- Outlines procedural requirements between the Province and OPG with respect to issuing debt that benefits from [the Limited Guarantee under](#) the Change of Law Protection Agreement
- Among other things, OPG is required to deliver to the Province a process certificate, outlining the material terms of proposed debt issues and confirm such debt offerings will not cause the protection agreement maximum (as updated from time to time in the Financing Plan) to be exceeded

Declaration of Trust

- Establishes FHT to carry out activities for the exclusive benefit of its unitholders
- Specifies the rights and powers of the Issuer Trustee (Computershare)
- The Issuer Trustee has delegated [substantially](#) all of [\[the powers and\]](#) **[Confirm]** duties of managing the Trust to OPG under the Management Agreement

Allocation of Servicing Role and Responsibilities

- The shared responsibilities of servicing and management roles are summarized below

	OPG	IESO	LDC
Review Records of LDCs with Respect to CEAs (annually or less frequently in certain circumstances)	✓		
Determination of CEA for a Reference Period, including the True-Up Amount	✓		
Ongoing Reporting for Trust and Reporting to the Rating Agencies	✓		
Management of Ongoing Debt Issuances	✓		
Cash Management	✓	✓	
Preparation of Monthly Servicer Reports		✓	
Remittance of CEA to IESO and to the Trust		✓	✓
Responding to inquiries by customers if practicable, or forwarding such inquiries to OPG		✓	✓
Customer Billing			✓
Customer Collections			✓
Customer Meter Reading			✓

V. Financing Program

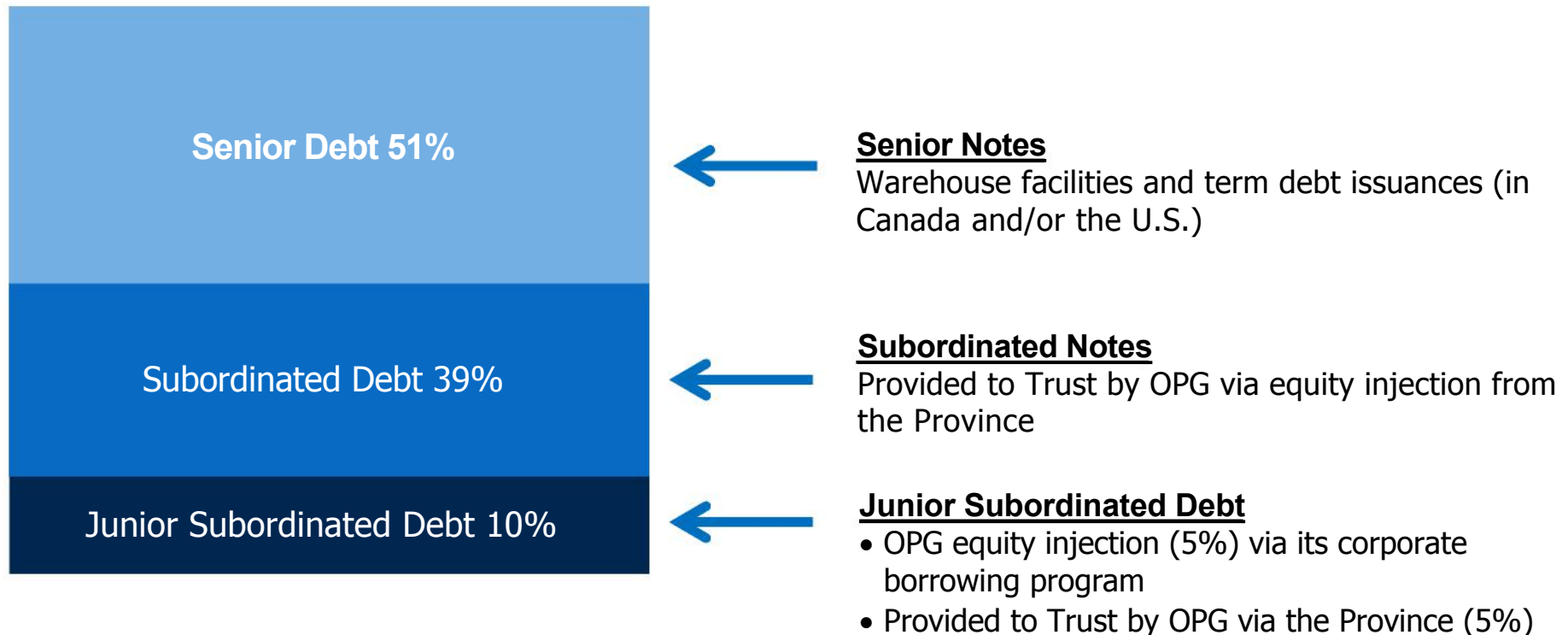
Financing Plan / Strategy

- OPG is responsible for administering the FHT financing program, as the initial FSM appointed under the Act
- Given the size (~\$20 **[Confirm]** billion) and longevity (~10 **[Confirm]** years) of the FHT financing program, the funding strategy has been designed to provide flexibility
- Initial Warehouse financing (ABCP conduit and bank funded senior debt) and subordinated warehouse debt and junior subordinated warehouse debt funded by OPG will be used to fund monthly **[Regulatory Asset purchases]** from the IESO
 - Periodically refinance the warehouse facility through the issuance of term debt (likely access the market 2-3 times per year)
- For example, term debt can take the form of bullet bonds or could be issued as amortizing bonds

Initial Warehouse	• ABCP conduit and bank funded <u>senior debt</u> and subordinated debt funded by OPG will be used <u>by the Trust</u> to fund monthly Regulatory Asset purchases from the IESO
Term Debt	• Term debt issuances will be used to refinance warehouse financing and the subordinated debt and junior subordinated debt funded by OPG • Both Canadian term debt [and U.S. term debt market will be considered] [Confirm] • Maturity profiles will be structured to ensure reasonable alignment with the FAA (bullet bonds with sinking funds or amortizing bonds) [Describe possible refinancings of shorter maturing debt?]
Subordinated Debt	• Subordinated debt provides credit enhancement for senior debt (ranks behind senior debt in cash flow waterfall [Principal only?])

Financing Structure

- The Trust will fund Regulatory Asset purchases through the issuance of senior, subordinated and junior subordinated secured debt
- Senior debt (51%) will be sourced monthly from committed warehouse facilities, and the periodic issuance of term debt
- Subordinated debt (49% anticipated; minimum of 35% required) will be **[Incurrence or maintenance requirement?]** purchased by OPG, primarily funded by equity injections from the Province (44% of the 49%) and the remaining portion from OPG (5% of 49%)

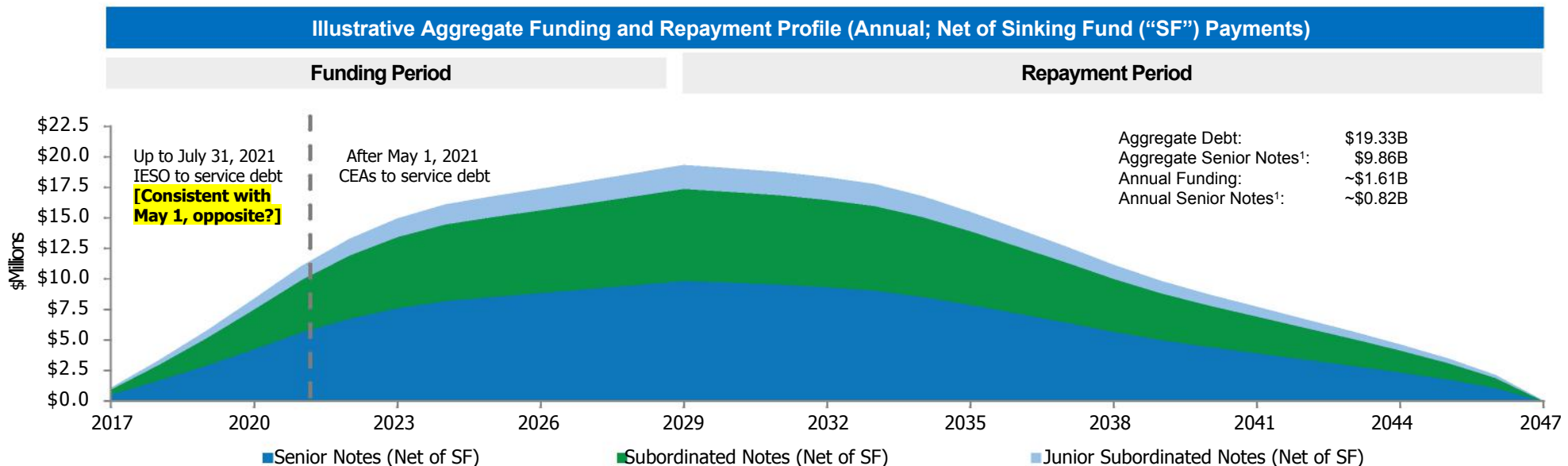


Note: Assumes 49% Subordinated Debt.

Aggregate Financing Program

Illustrative Debt Summary - Funding & Repayment Period (Annual)

- Based on the Fair Allocation Amount **[repayments, but not incurrences]** and the Province's electricity bill reduction targets the following debt profile for the program is expected, peaking at just under \$20 billion by 2029 **[Confirm]**
- Various tranches of debts will be issued periodically during the period of 2017 - 2028, which are expected to mature over a period after 2029 **[Confirm. Consider refinancings or shorter maturities?]**

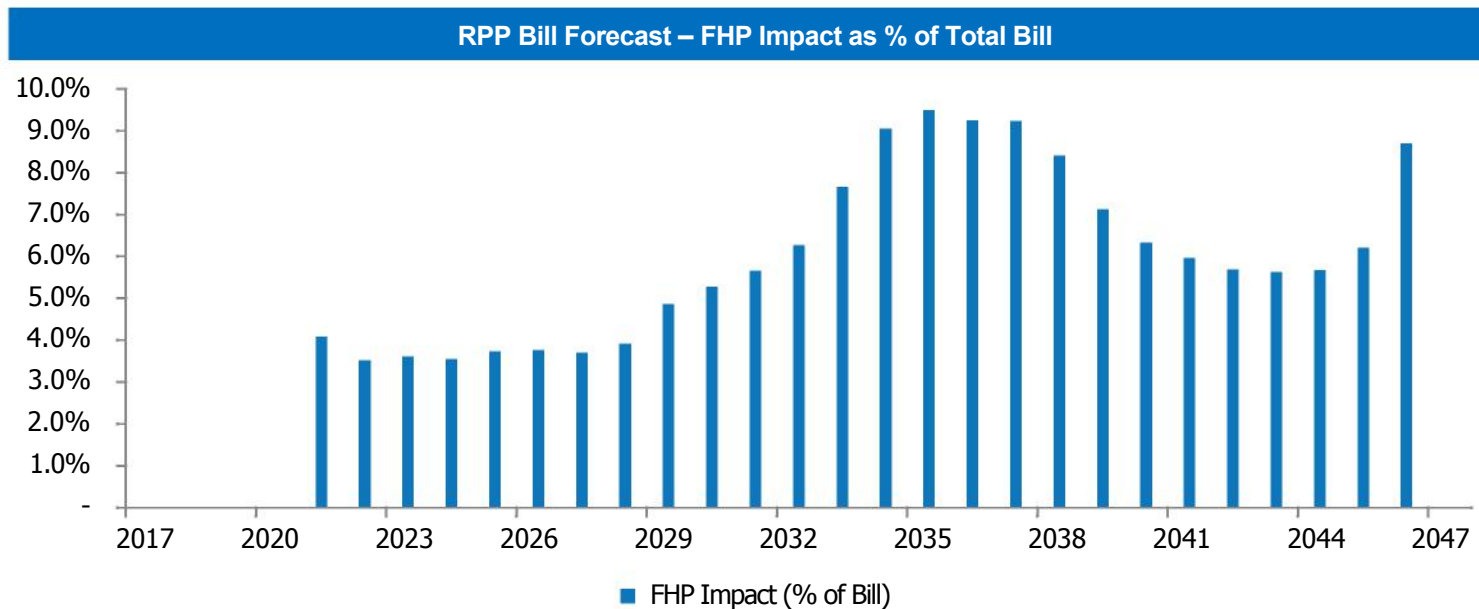


¹ Assumes 51% Senior Notes

Consumer Bill Forecast with FHP

RPP Bill Forecast - FHP Impact % of Total Bill (C\$ per Month)

- Over the duration of the Fair Hydro Program, the CEA for the average residential customer is anticipated to remain below 10% of the total electricity bill
- Max CEA as a percent of the total bill is forecast to be 10.1%
- Average CEA as a percent of the total bill is forecast to be 6.9%



Capital Markets Platform

Master Trust Indenture

Parties

- (1) Computershare Trust Company (Issuer Trustee), on behalf of the Trust, acting through OPG as the Manager; (2) BNY Trust Company (Indenture Trustee) on behalf of Specified Creditors

Purpose

- Governs the terms of the debt issued by FHT and cash flow waterfall [and collateral structure for all Trust obligations to all Specified Creditors](#)

Key Terms

Incurrence of Funding Obligations

- Trust may incur funding obligations under a variety of instruments, including:
 - Note issuances under supplemental indentures
 - Borrowings under future credit agreements
 - Sales of notes under note purchase agreements
 - Letters of Credit/Guarantees under credit enhancement agreements
 - Liquidity loans under liquidity agreements backing short term notes

Conditions Precedent

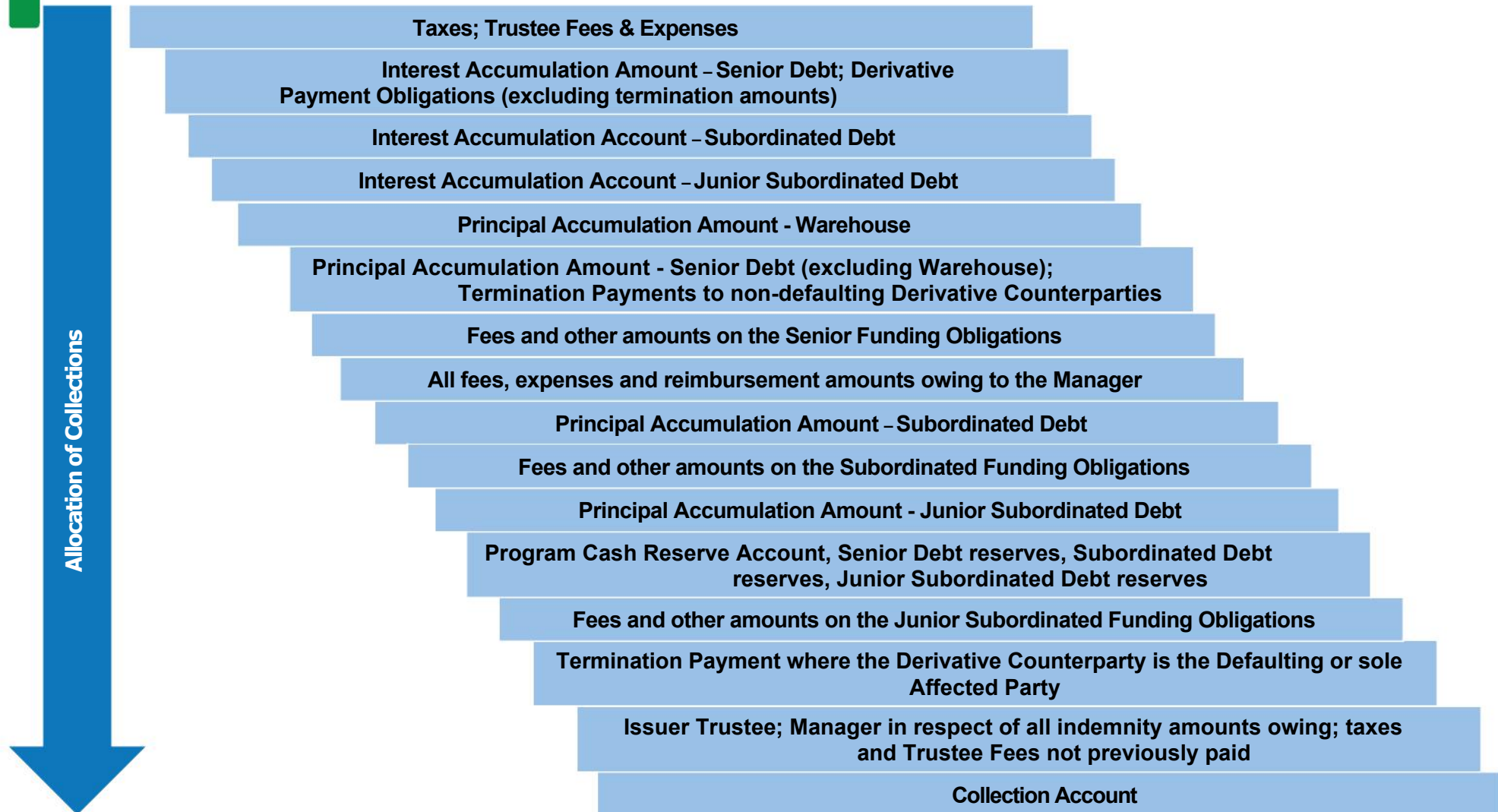
- Prior to incurring additional funding obligations, the Trust confirms to the Indenture Trustee and each rating agency that:
 - the incurrence of such additional obligations will not cause an adverse effect
 - the incurrence of such additional obligations is materially consistent with the Financing Plan
- It will also be a condition precedent that (i) each rating agency confirm that the issuance of such additional funding obligations will not result in a reduction or withdrawal of any existing ratings of outstanding funding obligations and (ii) the Indenture Trustee has received certain assurances as to the applicability of the Change of Law Protection Agreement to such funding obligations

Capital Markets Platform

Master Trust Indenture – Key Terms (cont'd)

Security	Granted over all assets of the Trust, including the Trust's investment interest, all collections under the MTSA and all accounts
Subordination	- Provides for three different classes of funding obligations (i) senior (ii) subordinated (iii) junior subordinated
Events of Default	Include payment defaults, representation and covenant breaches, insolvency and Change of Law Protection Agreement ceasing to be in full force and effect against the Province
Acceleration	<u>Upon an acceleration, CEAs may be insufficient to repay all amounts becoming due in a period. CEAs for a period will be capped</u> CEAs cannot be increased to the level required to immediately repay all outstanding principal following acceleration. The increase in CEAs is limited under the Regulation <u>at the otherwise scheduled amounts, plus an additional amount if the aggregate of those otherwise scheduled amounts would be less than</u> to the amount available per the FAA <u>for the period</u> - However, the <u>amounts received from CEAs after an acceleration will be allocated to pay senior indebtedness before principal amounts owing on subordinated and junior subordinated indebtedness</u> CEAs are allocated to paying the senior indebtedness first. Accordingly, the subordination of debt across all series of debt <u>should</u> would advance the repayment of the principal amount for senior funding obligations - After an acceleration, all [Confirm. Can a series elect to defer payment on acceleration?] Senior Term Notes will be paid pari passu

Waterfall



Note: This waterfall indicates the priority of payment prior to an Event of Default and acceleration; additional information on the priority of payments after an Event of Default and acceleration can be found in the Offering Memorandum.

Note: After paying interest on the senior debt, no interest payments will be made on the subordinated debt unless there will be sufficient amounts remaining in the Interest Accumulation Account for what should be accumulated for the Senior Notes after making such payments.

VI. Summary of Offering

Summary of Indicative Terms

	<u>Class</u>	<u>Size</u>	<u>% of Trust</u>	<u>Expected Maturity</u>	<u>Principal Payment Default Date</u>	<u>Rating (DBRS / Moody's)</u>
Initial Fair Hydro Term Issuance	Senior Term Notes	\$[] mm	[]%	[]	[]	AAA (sf) / Aa2 (sf)
	Subordinated Notes	\$[] mm (Not Offered)	[]%	[]	[]	[]
	Jr. Subordinated Notes	\$[] mm (Not Offered)	[]%	[]	[]	[]
Issuer	Fair Hydro Trust, a single purpose, bankruptcy-remote wholly-owned subsidiary of the Financial Services Manager					
Financial Services Manager	Ontario Power Generation, Inc.					
Servicer	Independent Electricity System Operator					
Source of Repayment	• Moratorium Period: Statutorily mandated remittances (not including principal) from IESO (Up to July 31, 2021) • Post Moratorium Period: Non-bypassable charge from certain residential and commercial customers in Ontario, related collections and reserve accounts (After May 1, 2021)					
Principal Accumulation Date(s) and Principal Accumulation Amount(s):	<u>Principal Accumulation Date</u> ● , 20●			<u>Principal Accumulation Amount</u> \$●		
Payment Frequency	Semi-annual					
Interest	Fixed rate					
Senior Note Credit Enhancements	• Semi-annual (or more frequent) True-up • Reserve Account • Subordination					
Program Cash Reserve Account	After Moratorium period, an amount equal to 0.50% of the aggregate amount of all outstanding Senior, Subordinated and Junior Subordinated funding obligations					
True-up	Calculated on at least a semi-annual basis post-moratorium period					
Subordination	Subordinated and Junior Subordinated Notes will be retained by OPG					
Additional Issuance	Master Trust Indenture allows for the issuance of additional notes subject to satisfaction of Rating Agency Condition					

VII. Key Risks and Mitigants

Risk Mitigation

Risk	Description of Risk	Mitigants
Political Risk	Future legislative action to change or challenge/invalidate the Act or the Change of Law Protection Agreement might materially adversely affect a holder's investment in the Notes	Limited Guarantee provided by the Province of Ontario via the Change of Law Protection Agreement in favour of the Indenture Trustee for lenders/investors in these circumstances
Under Collection	If the IESO inaccurately forecasts electricity consumption or if OPG uses inaccurate consumer delinquency or write-off data when setting the CEA, there could be a shortfall in collections, which might result in missed or delayed payments of principal and interest on the Notes	- True up mechanism may result in a delay, but will be corrected in next True up [Frequency?] - Cash reserve and 35%-49% subordination which would first absorb any shortfalls [Maintenance vs Incurrence?] 6-month reference period - Any shortfall in collections are recoverable from all Specified Consumers
Reliance on IESO and LDCs	- During the Moratorium Period, the Trust is dependent on the IESO to pay for all Carrying Costs [Suggests that IESO will pay; not provide cash for Trust to pay] - Receipt of CEAs dependent on the performance of LDCs and IESO - Limited ability to enforce against or replace an on LDC	- Highly regulated industry and LDC and IESO are required under law and regulation to perform duties under FHP - IESO has a very strong credit profile and [very low losses] [Any? Socialized?] and grants security over all of its accounts receivables as security during the Moratorium Period - IESO will provide a letter of credit/other security to mitigate commingling risks for CEAs held for the commingling of CEAs by non-rated or below investment grade rated LDCs until they are remitted to IESO - LDCs collect security deposits and, when permitted, have the ability to disconnect service for non-payment [Sensitive?] \$2 billion general credit facility from the OFA which can be used to pay the Carrying Costs
Size of Charge vs. Bill	If the charge applied to bills becomes too high, there could be a consumer and/or political backlash	20-year repayment period allows for gradual rate increases - Max CEAs as a percent of the total bill is forecast to be ~10%

VIII. Investment Highlights

Investment Highlights

/ Protection against political risk through the Change of Law Protection Agreement

/ Irrevocable & non-bypassable rate payer charge, recoverable from Specified Consumers across the Province of Ontario

/ Repayment risk spread across all Specified Consumers. Full cross-collateralization; collection shortfalls allocated among all Specified Consumers (Joint and Several Liability)

/ Robust ~~Enhanced~~ true-up mechanism [If this is comparing to a precedent deal, should indicate the comparison]

/ Credit enhancement for senior debt provided via subordinated debt

/ Highly regulated market with experienced operating agents (OPG, IESO, and LDCs)

/ Strong service territory [Meaning?]

/ No large user industrial risk exposure [Meaning?]