

Overview of FHP

At present, the Fair Hydro Plan (FHP) can be broken down into four periods:

1. 25% Reduction Period (May 2017 – October 2017)

- Bills reduced 25% from the status quo
- 25% bill reduction is made up of 3 components
 1. Moving social programs from electricity ratebase to tax base (~1.5% reduction)
 2. 8% rebate on bills (provincial portion of HST) (~7% reduction)
 3. Global Adjustment smoothing (~16.5% reduction)
- The 25% bill reduction is based on a notional Toronto Hydro customer who consumes 750 kWh per month, a proxy for the average Ontario customer.

2. Inflation Period (November 2017 – April 2022)

- Bill increases capped at inflation (assumed at 2% for modeling purposes)

3. Straight-line Increase Period (May 2022 – April 2027)

- Bills increased at a straight-line rate (i.e., 8% per year) which is set so that borrowing will not exceed the Trust's capacity.

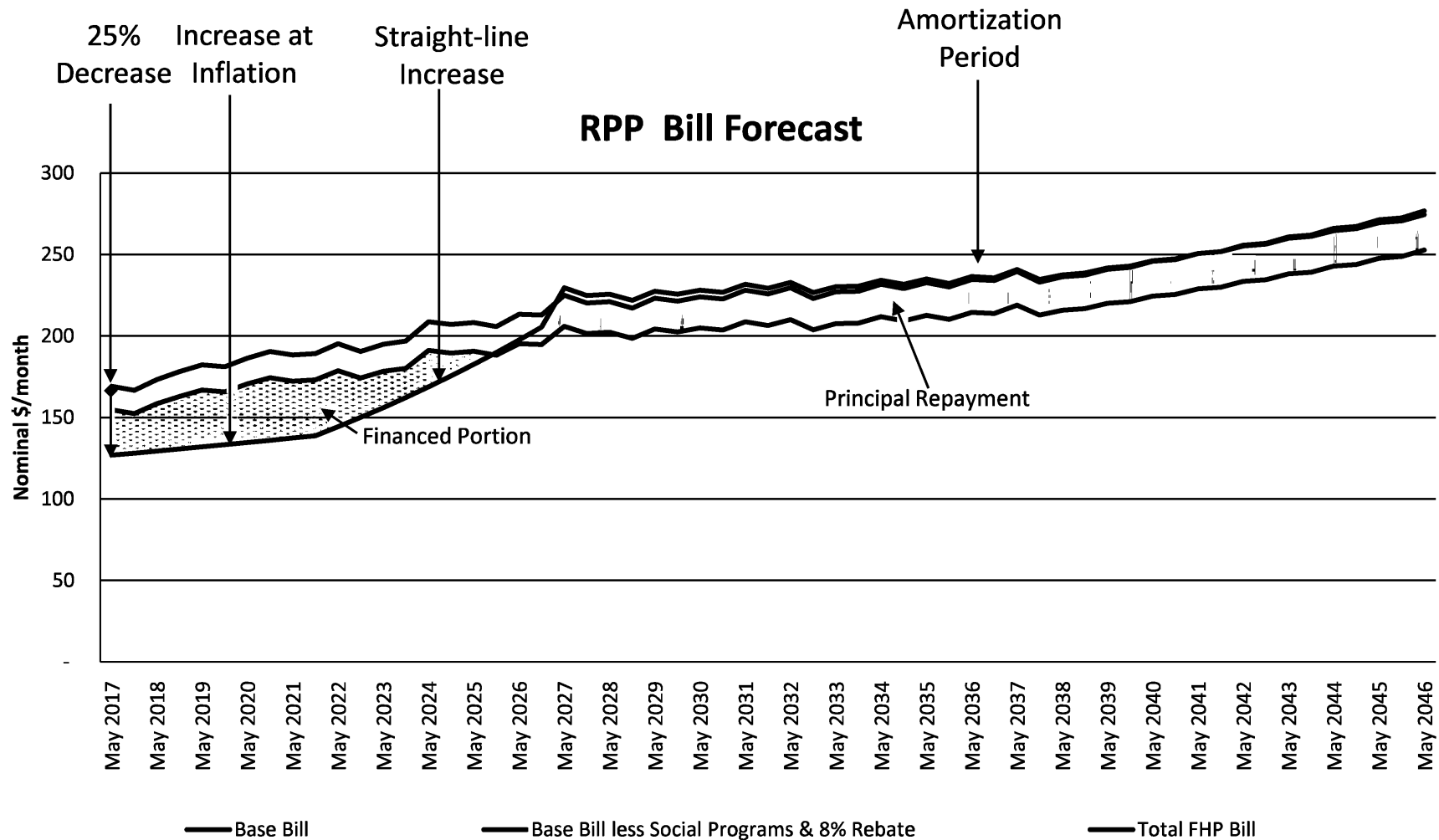
4. Amortization Period (May 2027 – April 2047)

- Debt built up over the previous periods is repaid by ratepayers.

17/44

Overview of FHP

Impact on Customer Bills



18/44

Confidential and Commercially Sensitive

ONTARIOPOWER
GENERATION



Overview of FHP

- Key features of OPG Consolidated balance sheet include:
 - Cumulative shareholder equity injection of \$13B that in turn is invested in the FHP Trust as subordinated debt (44% of total funding)
 - Cumulative OPG external borrowing of \$1.5B that in turn is invested in the FHP Trust as subordinated debt (5% of total funding)
 - At its peak, the corresponding intangible asset on OPG's balance sheet will be \$28B (51% senior debt funded via external debt markets and 49% subordinated debt funded by OPG)
- Modeling interest rate assumptions for the FHP Trust's debt are as follows:
 - Senior debt Tranche A (external markets) – 4.25%
 - Subordinated Tranche B (OPG funded by equity) – 5.50%
 - Subordinated Tranche C (OPG funded by 50/50 debt and equity) – 6.50%
- Other key assumptions include:
 - 5 - 10 bps operating fee paid to OPG by the FHP Trust
 - Additional OPG borrowing is at 5% interest rate (5% of Trust funding)

Overview of FHP

