Overview of FHP

At present, the Fair Hydro Plan (FHP) can 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.

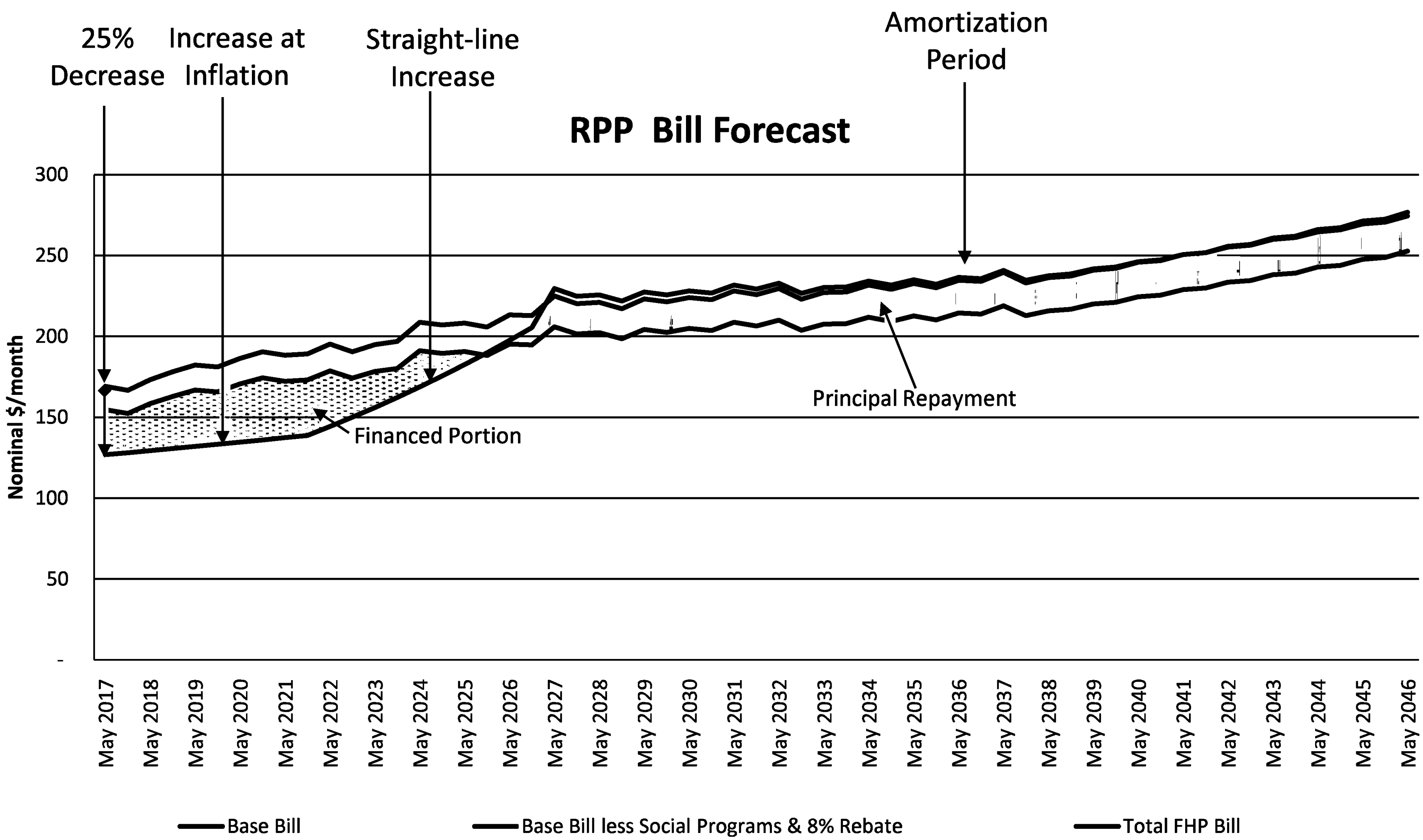
2. Inflation Period (November 2017 – April 2022)
   - Bill increases capped at inflation (assumed at 2% for modeling purposes)

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.

Overview of FHP

Impact on Customer Bills



ONTARIOPOWER GENERATION

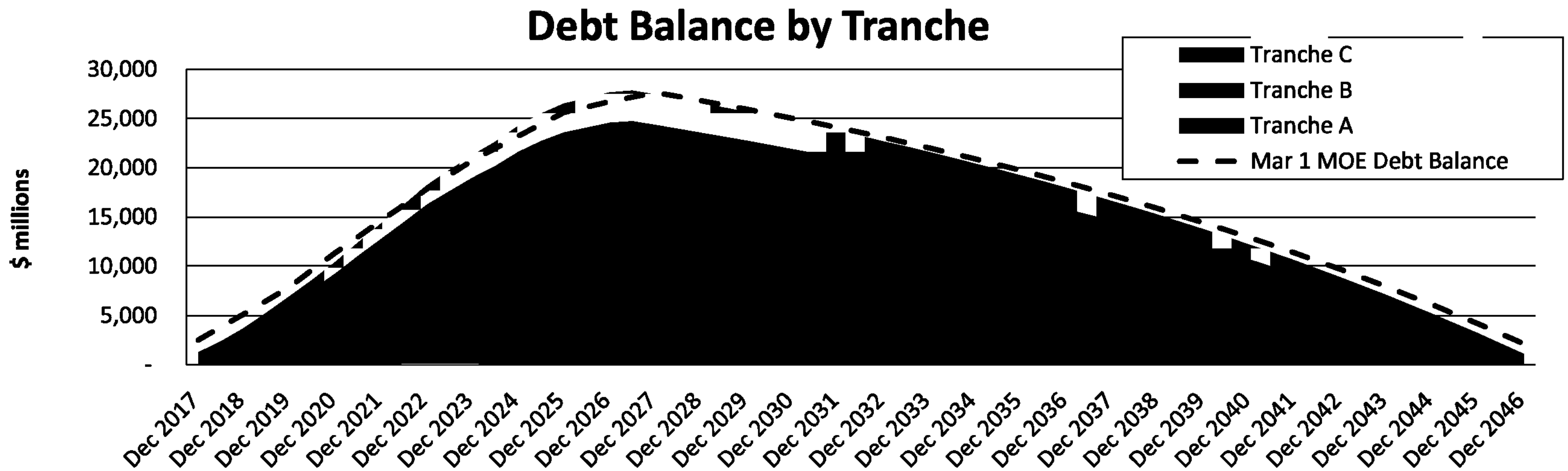
Overview of FHP

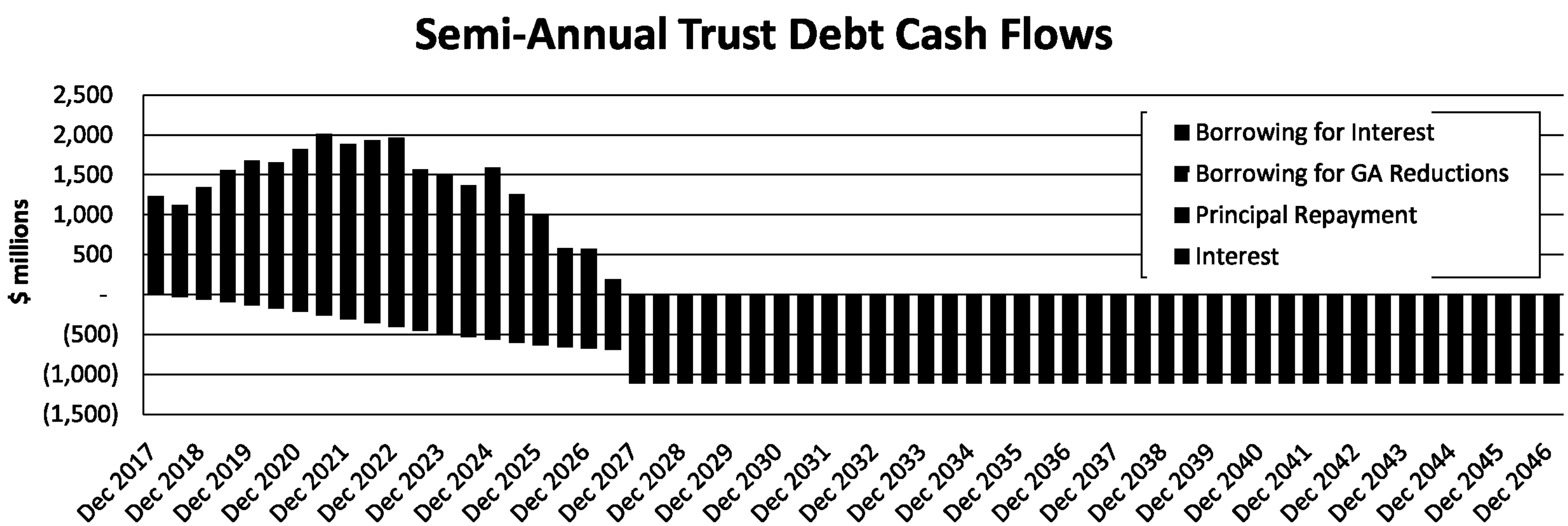
- Key features of OPG Consolidated balance sheet include:
  - Cumulative shareholder equity injection of $13B that in turn is invested in the FHP Trust as subordinated debt (44% of total funding)
  - Cumulative OPG external borrowing of $1.5B that in turn is invested in the FHP Trust as subordinated 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





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