Memorandum of Understanding
Relating to the Fair Hydro Plan

Dated: **December , 2017**

Between:

Her Majesty the Queen in right of Ontario
as represented by the Minister of Energy (the "**Ministry**")

And:

Ontario Financing Authority
an agency of the Province of Ontario (the "**OFA**")

Whereas:

1. On June 1, 2017, the Legislative Assembly of Ontario enacted the *Ontario Fair Hydro Plan Act, 2017* (the "Act") which was introduced by the Government to implement its Fair Hydro Plan (the "FHP").

2. The Act and the regulations promulgated under the Act provide the right for the Independent Electricity System Operator ("IESO") to create certain assets related to the deferral of electricity charges (the "Assets"), which Assets may be acquired from the IESO by one or more special purpose financing entities, under the Act established by Ontario Power Generation Inc. ("OPG") to implement the FHP (each an "OPG Financing Entity"), which are expected to include a Fair Hydro Trust.

3. An OPG Financing Entity is expected to acquire the Assets monthly from the IESO and will finance the Assets in accordance with the financing plan, which includes both senior debt (minimum of 51%) from external sources and subordinated debt (up to 49%) from OPG.

4. The Ministry has agreed to provide up to 44% of the total funding requirement for the Assets through equity injections in OPG and OPG has agreed to use the equity injections solely for funding the OPG Financing Entity's debt (the "Equity Injection Plan").

5. For purposes of the Equity Injection Plan, OPG has, having received shareholder consent, amended its articles to create a new class of non-voting, redeemable shares (the "Class A Shares") for the purposes of facilitating the contemplated equity injections.

6. In accordance with the Equity Injection Plan, the Ministry will subscribe for Class A Shares on a monthly basis.

7. Each month OPG will deliver to the Ministry a share subscription form (the "Share Subscription") setting out the amount of equity injection required (the "Subscription

Payment") and the corresponding number of Class A Shares to be issued by OPG and subscribed for by the Ministry.

8. The Ministry is required to pay the Subscription Payments out of amounts appropriated by the Legislature for that purpose for the fiscal year in which the payment is made (the "Appropriated Amount").

9. The Ministry has advised the OFA that the Ministry is required to make the Subscription Payments within five (5) Business Days of the receipt by the Ministry of the Share Subscription (the "Share Subscription Payment Date"). For the purposes of this MOU "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law, regulation or executive order to be closed.

10. The Ministry considers it advisable for the OFA to make the Subscription Payments on behalf of the Ministry and the OFA has agreed to make the Subscription Payments on behalf of the Ministry.

11. The Ministry and the OFA wish to enter into this Memorandum of Understanding ("MOU") to confirm their agreement regarding the terms on which the OFA will make the Subscription Payments.

Therefore:

The Ministry and the OFA agree as follows:

1) Payment Authorization

a) The Ministry authorizes the OFA to make the Subscription Payments on behalf of the Ministry and the OFA agrees to make the Subscription Payments on behalf of the Ministry.

b) It is agreed by the Ministry and the OFA that the OFA is acting as an agent, on behalf of the Ministry, for the purposes of:

   i) transacting with the Ontario Shared Services "IFIS" system in order to access funds appropriated for the Ministry in respect of the Fair Hydro Plan, and

   ii) making the required Subscription Payments on behalf of the Ministry as further described in this MOU.

2) Payment Process

a) The Ministry will take all necessary steps to provide the OFA with a clear and legible unapproved electronic copy of each Share Subscription, on the same day the Ministry receives the Share Subscription from OPG to allow the OFA to begin the procedures for making the Subscription Payment.

b) The Ministry will deliver to the OFA at least three Business Days before the Share Subscription Payment Date, electronic copies of the following:

   a. a clear and legible electronic copy of each Share Subscription executed and approved by the Minister of Energy or authorized delegate;
   b. a clear and legible electronic copy of a certificate, in the form attached as Schedule A to this MOU (the "Certificate"), confirming that there is a sufficient Appropriated Amount from which to make the Subscription Payment and, under section 11.4 of the *Financial* Administration *Act* (the "FAA"), that OPG is entitled to receive the Subscription Payment; and
   c. a clear and legible electronic copy of a payment authorization approved by the Deputy Minister of Energy or authorized delegate in the form attached as Schedule C to this MOU (the "Payment Authorization").

c) Upon receipt of the executed and approved Share Subscription, the Certificate and the Payment Authorization, the OFA will make the Subscription Payment on behalf of the Ministry, in the amount of the Share Subscription.

d) The OFA shall not be required to make any Subscription Payment on behalf of the Ministry if the Ministry has not delivered to the OFA an executed and approved Share Subscription, the Certificate and the Payment Authorization as provided in paragraph b) above.

e) The Subscription Payments will be made from the Consolidated Revenue Fund and the amount of each Subscription Payment will be entered by the OFA via a journal entry into the Province's IFIS system under a pre-defined Ministry account immediately upon the completion of the Subscription Payment or shortly thereafter.

f) The OPG wire transfer information for the Subscription Payments shall be as set out in Schedule B attached to this MOU, or as the Ministry may otherwise provide from time to time by notice in writing to the OFA.

g) The Ministry shall deliver electronically to the OFA certified copies of any

   a. delegations under paragraph b) above made by the Minister of Energy to authorize persons to execute the Share Subscription,
   b. delegations under paragraph b) above by the Deputy Minister of Energy to authorize persons to execute the Payment Authorization, and
   c. authorizations under section 11.4 (2) 1 of the FAA by the Minister of Energy or the Deputy Minister of Energy of persons to execute the Certificate.

3) Reporting Requirements and Records

a) The OFA will deliver a notice by e-mail to the Ministry's contact person to confirm the completion of each Subscription Payment in the amount of the Share Subscription.

b) The OFA will keep and maintain all records related to the Share Subscriptions for a period of seven (7) years.

c) The requirements under this section shall survive the termination of this MOU.

4) Limited Role of the OFA

The OFA will only be responsible for making the Subscription Payments in accordance with section 2 of this MOU and reporting and record keeping in accordance with section 3 of this MOU. For greater clarity, the OFA will not be responsible for auditing or otherwise verifying the correctness of the Share Subscriptions; monitoring the OPG's application of the Subscription Payments; monitoring the balance from time to time of the Appropriated Amount; or ensuring the Appropriated Amount is sufficient.

5) Review and Termination

a) The Ministry and the OFA will review this MOU as necessary.

b) This MOU may be terminated by either party at any time, on ninety (90) days' notice.

c) Upon termination of this MOU, provided the OFA has the power and authority to make such Subscription Payments, the OFA will make Subscription Payments in respect of executed and approved Share Subscriptions delivered by the Ministry to the OFA on or before the date of termination in accordance with subsection 2(c) of this MOU, but will not be obligated to make any further Subscription Payments on any executed and approved Share Subscriptions delivered by the Ministry to the OFA after the date of termination of this MOU. All provisions of this MOU relating to Subscription Payments made by the OFA will continue to apply with respect to such Subscription Payments made by the OFA after the termination date, notwithstanding termination of this MOU.

d) The parties will cooperate to help to ensure a smooth transition of the payment function upon termination.

6) No Service Charges

The OFA will not charge the Ministry for the OFA's services or for its disbursements or other expenses incurred under this MOU.

7) Contacts

a) Each party shall designate a member of its staff to be a contact person for the purposes of administering this MOU.

b) As of the date of this MOU the OFA's contact persons are:

Name: Ken Kandeepan
Title: Chief Financial and Risk Officer, Ontario Financing Authority
Address: 1 Dundas Street West, Suite 1400, Toronto, Ontario M5G 1Z3
Tel: (416) 325-9814
Email: Ken.Kandeepan@ofina.on.ca

Name: John Kim
Title: Director, Electricity Finance Branch
Address: 1 Dundas Street West, Suite 300, Toronto, Ontario M5G 1Z3
Tel: (416) 212-6996
Email: John.Kim@ofina.on.ca

Name: John Psinas
Title: Senior Manager, Accounting and Reporting, Finance and Treasury Division
Address: 1 Dundas Street West, Suite 1400, Toronto, Ontario M5G 1Z3
Tel: (416) 325-8072
Email: John.Psinas@ofina.on.ca

As of the date of this MOU the Ministry's contact persons are:

Name: Shruti Talwar
Title: Director, Strategic Policy and Analytics
Address: 77 Grenville Street, 6th Floor, Toronto, ON, M7A, 2C1
Tel: (416) 325-8698
Email: shruti.talwar@ontario.ca

Name: Asokan Sadasivan
Title: Controller
Address: 56 Wellesley Street West, 4th Floor, Toronto ON M7A 2E7
Tel: (416) 902-2649
Email: asokan.sadasivan@ontario.ca

c) Either party may designate a different member of its staff as its contact person by providing thirty (30) days notice to the other party in accordance with section 7.

8) Notice

a) Any notice given under this MOU shall be in writing and shall be deemed effective on the date personally delivered to the party's contact person or on the date transmitted by electronic transmission with a confirmation of receipt in all cases, addressed as follows:

As of the date of this MOU the OFA's contact persons are:

Name: Ken Kandeepan
Title: Chief Financial and Risk Officer, Ontario Financing Authority
Address: 1 Dundas Street West, Suite 1400, Toronto, Ontario M5G 1Z3
Tel: (416) 325-9814
Email: Ken.Kandeepan@ofina.on.ca

Name: John Kim
Title: Director, Electricity Finance Branch
Address: 1 Dundas Street West, Suite 300, Toronto, Ontario M5G 1Z3
Tel: (416) 212-6996
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Name: John Psinas
Title: Senior Manager, Accounting and Reporting, Finance and Treasury Division
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Email: John.Psinas@ofina.on.ca

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Name: Shruti Talwar
Title: Director, Strategic Policy and Analytics
Address: 77 Grenville Street, 6th Floor, Toronto, ON, M7A, 2C1
Tel: (416)325-8698
Email: shruti.talwar@ontario.ca

Name: Asokan Sadasivan
Title: Controller
Address: 56 Wellesley Street West, 4th Floor, Toronto ON M7A 2E7
Tel: (416) 902 2649
Email: asokan.sadasivan@ontario.ca

9) Execution

The parties have executed this MOU, effective as of the date first above written.

Her Majesty the Queen in right of Ontario
as represented by the Minister of Energy

by:____________________________

name:
title:

Ontario Financing Authority

by:____________________________

name:
title:

SCHEDULE A

CERTIFICATE

Ministry of Energy Subscription for Class A Shares of Ontario Power Generation Inc.

Ontario Power Generation Inc. ("OPG ") has delivered to the Ministry of Energy (the “Ministry”) a share subscription dated **[date]** (the “Share Subscription”) pursuant to the Master Share Subscription Agreement between the Ministry and OPG dated **[date].**

The Share Subscription requests payment by the Ministry to OPG in the amount of **[amount]** as consideration for the subscription for **[number]** Class A shares of OPG (the “Subscription Payment”).

The Ministry is required to pay the Subscription Payment out of amounts appropriated by the Legislature for that purpose for the fiscal year in which the payment is made (the “Appropriated Amount”).

Section 11.4 (1)(c) of the *Financial Administration Act* provides that the Subscription Payment shall not be made unless a person authorized under that section certifies that OPG is eligible for or entitled to the Subscription Payment.

I **[Minister of Energy, or Deputy Minister of Energy, or a person authorized by either of them under FAA s. 11.4**] hereby certify that

i) There is a sufficient Appropriated Amount from which to make the Subscription Payment, and
ii) OPG is entitled to the Subscription Payment.

Dated:

____

name:

title:

SCHEDULE B

OPG's wire transfer information

Bank: Bank of Nova Scotia
Address: 44 King Street West Toronto, Ontario MSH 1H1
SWIFT Code: NOSCCATT
Branch Transit: 47696
Bank Code: 002
Account Number: 476960302716

Ontario Power Generation Inc.
Treasury
700 University Avenue
Toronto, Ontario
M5G 1X6

SCHEDULE C

PAYMENT AUTHORISATION

(MINISTRY LETTER HEAD)

(DATE)

MEMORANDUM TO: Alfonso Soriano, Manager, Cash Management
Finance and Treasury Division, OFA

FROM: (Deputy Minister of Energy or authorized delegate)

SUBJECT: Authorizing the Release of Funds to Ontario Power Generation Inc.

I am hereby authorizing a payment (through wire transfer) in the amount of ($ xxx,xxx,xxx.xx), to Ontario Power Generation Inc. (OPG) as consideration for the subscription for [number] Class A Shares of OPG.

The bank account information of OPG is provided below:

Bank: Bank of Nova Scotia
Address: 44 King Street West Toronto, Ontario MSH 1H1
SWIFT Code: NOSCCATT
Branch Transit: 47696
Bank Code: 002
Account Number: 476960302716

Ontario Power Generation Inc.
Treasury
700 University Avenue
Toronto, Ontario
M5G 1X6

The IFIS account code string to be used to record the above transaction is:

029-290505-0000-981671-141085-0000-0000-0000

Sincerely,