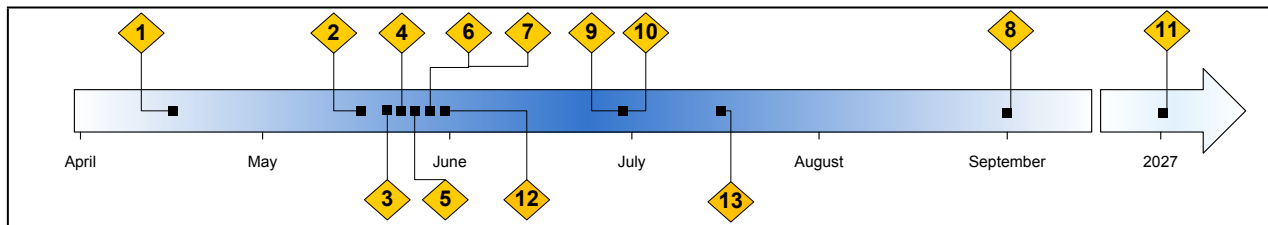


Summary of Work Plan

Below is an overview of the elements of the draft workplan to set up a trust special purpose financing vehicle (SPV) that would hold the claim on future customers and the debt issued to fund the payment to the IESO in accordance with Ontario's Fair Hydro Plan. All elements of the work plan will consider the key requirements of OPG with respect to elimination or mitigation of risks.

Workplan Overview

The draft workplan below is divided into major components required to set up the trust SPV as part of Ontario's Fair Hydro Plan. Each major component is divided into sub-components that provide further aspects / characteristics / requirements.



[Note deleted #13]

1. Legislative Requirements [Stakeholders: OPG, IESO, OEB, MOE]

a. Characteristics of Regulatory Asset

Key aspects will include collection rights, claim/counterclaim protection, future governmental action protection, saleability into SPV, protection from seller's creditors, OEB regulatory asset recognition, oversight of administration costs and recovery mechanism, and true-up process.

b. Legislative amendments to implement the structure

- Provisions in the Electricity Act (and OPG's articles) will be amended/updated to allow flexibility in OPG's corporate structure.
 1. These amendments would be similar in nature to previous amendments made to Hydro One's governing provisions in the Electricity Act.
 2. The amendments would, for example, allow OPG to create and operate through subsidiaries, and also enable OPG to raise financing through public offering of debt. (OPG may need to raise some financing to fund a portion of the subordinated debt going into the trust.)
- The electricity legislation will be amended to implement the deferral and financing of the GA, including amendments:
 1. to reflect that the IESO may defer collection of a portion of the GA;
 2. to create a "regulatory asset" consisting of the right to recover, over time, the amount GA being deferred, together with interest and other financing costs;
 3. to allow the IESO to sell that regulatory asset to a third party (the trust/financing vehicle);
 4. that authorizes the OEB to recognize the regulatory asset (which will likely comprise a deferral account) and allows the owner of the asset to recover the principal amount and financing costs for the GA deferral over time; and
 5. that also provides the OEB with no rights (or very limited rights) to review the terms on which the GA deferral is recovered (i.e. the interest rate, other financing costs and the amortization period). (This is needed to make the GA deferral financeable in the capital markets.)

2. Financing Process [Stakeholders: OPG, IESO]

a. Set up Financing Vehicle

The SPV will be established with a simplified trust indenture to facilitate flexible financing (issue short and long term debt in Canadian and US markets, ability to warehouse, ability to enter into cross currency swaps). The sole purpose of the SPV will be to acquire the

regulatory asset and raise debt. A financial service and management agreement with OPG will also be required.

b. Oversight

Appropriate oversight structure to be established independent of OPG management to review and monitor financing strategies, operating budgets and results of SPV. Reporting and monitoring requirements of Province, IESO and OEB and OPG to be determined.

c. Operations

Processes will be established for deal execution, operating cash management, regulatory reviews and credit rating agency reviews. Agreements will be established to define relationships with IESO (sales & servicing), billing payment and other administrative services, banking arrangements, subordinated debt agreement with OPG.

3. Equity Injection Process [Stakeholders: OPG, Ministry of Energy, Ministry of Finance]

The Province will require Treasury Board approval for periodic appropriations to fund equity injections into OPG. OPG Board approval will be required to issue a specified number of shares that can be periodically issued to the Province. The actual number of shares issued will be based on IESO forecast of funds required.

4. IESO and Trust Operational Process [Stakeholders: OPG, IESO]

Establish processes to facility the SPV's purchase of the IESO's regulatory asset, including timing (notice periods), frequency, fund flows, GA shortfall forecasts and true-up mechanisms.

5. Debt Issuance – General Planning [Stakeholders: OPG, MOF]

Develop debt issuance plan considering need for liquidity/working capital, debt profile (short/long term), debt composition (senior/subordinated), marketing plan (Canada and US), financing amounts and timing, credit rating agency legal opinions and required approvals.

6. Debt Issuance – Subordinated [Stakeholders: OPG]

Establish subordinated debt characteristics (risk, return, cash flows), repayment terms, issue frequency/timing and required approvals.

7. Debt Issuance – Short Term [Stakeholders: OPG]

Ability to aggregate and warehouse using short term CP / ABCP.

8. Debt Issuance – Long Term [Stakeholders: OPG]

Key steps in establishing OPG external long term debt financing include the following:

- Select bank advisor for Canadian market
- Select bank advisor for US market
- Select credit rating agency and establish high investment grade requirements
- Seek credit rating agency legal opinions (identified above in section 5)
- Ongoing financial and legal due diligence
- Credit rating agency presentation and follow-up Q&A
- Obtain preliminary or pre-sale rating
- Develop maturity profile if flexibility available
- Draft and execute offering memorandum, agency agreement and other legal documents
- Prepare marketing materials
- Marketing, road shows, investor one-on-ones
- Investor due diligence and collection of expression of interest
- USD denominated debt - ISDA contracts for swap arrangements and potential collateral requirements

9. Recovering Interest, Administration and Other Financing Costs from IESO [Stakeholders: OPG, IESO]

Establish basis of cost (actual or accrued), documentation requirements, funds flow timing and frequency.

10. Paying Interest, Administration and Other Financing Costs to Providers [Stakeholders: OPG, IESO]

Establish bank accounts, basis of cost (actual or accrued), documentation requirements, funds flow timing and frequency, required approvals and administration agreements (either with trust administrator or OPG).

11. Recovering Principal from IESO [Stakeholders: OPG, IESO]

Establish basis of recovery (regulatory asset schedule / actual financing amortization or maturity / other method), documentation requirements, approvals, timing and frequency.

12. Accounting Requirements and Process [Stakeholders: OPG]

Establish overall accounting requirements for trust, regulated asset, consolidation with OPG, operational control of trust and restrictions on regulated asset. See further details in Appendix A – Terms Necessary for OPG to Consolidate the Global Adjustment Trust.