Fair Hydro Plan
OPG's Role and Financing Plan
Technical Briefing

December, 2017

Confidential and Commercially Sensitive

ONTARIO POWER GENERATION

DRAFT

Role of Ontario Power Generation (OPG) in Global Adjustment Refinancing

- **The *Ontario Fair Hydro Plan Act, 2017*, identifies OPG as the Financial Services Manager (FSM) to develop the financing plans and manage the financing entity (i.e. Fair Hydro Plan Trust) responsible for managing the debt obligations associated with GA refinancing.**
  - OPG has extensive experience and expertise in the Ontario energy market, capital markets, regulation and fund management and will ensure that the refinancing will be done in the most efficient and cost-effective manner.
  - In addition to executing hundreds of millions in project financing over the past several years, OPG completed its first bond offering in the Canadian public market with $500 million unsecured 10-year bonds in October 2017.
  - OPG has established the Trust.

- OPG currently manages approximately $20 billion in nuclear funds through the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, and $15 billion in pension funds.

- OPG has also developed solid investor relationships and has a large investor base in the structured finance space [NTD: insert target market] for financing Ontario's Fair Hydro Plan (OFHP) initiative. For example, the Lower Mattagami project financing attracted a broad investor base of about 80 institutional investors, including major investors in the Canadian power and utility bonds market.

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OPG Recent Financing Activities

- On September 12, 2017, OPG filed a $2 billion short form shelf prospectus to facilitate corporate borrowing through a medium term note program over the next two years. The net proceeds from borrowing under this prospectus will be used for general corporate purposes and the financing of OPG's subordinated debt investment in the Fair Hydro Plan

- In October, OPG issued $500 million of senior notes payable under the Medium Term Note Program. The notes have a coupon interest rate of 3.32 percent and an effective rate of 3.43 percent, payable semi-annually with a maturity date of October 4, 2027
- Notes issued exceeded the original OPG target of $300 million because of the strong reception from investors.

Fair Hydro Trust Financing

- **On November 22, OPG's Board of Directors approved OPG's plan for participation in the Fair Hydro Plan, and to act as the Financial Services Manager.**
  - OPG has established a holding company FHP 2017 Inc. which will own and control the Trust.

- **To date, $1 billion in Global Adjustment payments have been deferred under the Fair Hydro Plan and held by the Independent Electricity System Operator (IESO).**
- **The Fair Hydro Trust purchased this asset in December. The initial $1 billion in investment assets purchased by the Trust was financed as follows:**
  - Borrowing by the Trust through senior debt from capital markets $510 million (51%)
  - Equity injection by the Province $440 million (44%) invested as subordinated debt in the Trust
  - OPG subordinated debt in the Trust $50 million (5%) already raised through the initial borrowing

- **In subsequent months the Trust will make a decision on the purchase of subsequently generated assets (approximately $200 million per month) and any required financing.**
- **A second round of borrowing will take place in Q1 - 2018 to continue managing the refinancing of the Global Adjustment.**
- [NTD: Placeholder about success/level of interest in the offering]

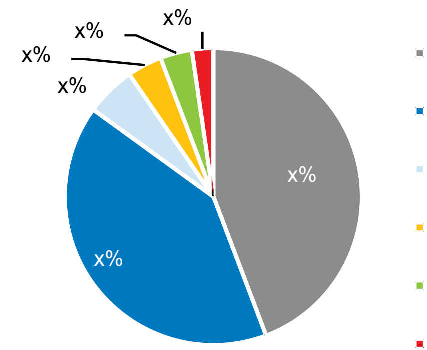
Debt Offering Summary

TERMS SUMMARY

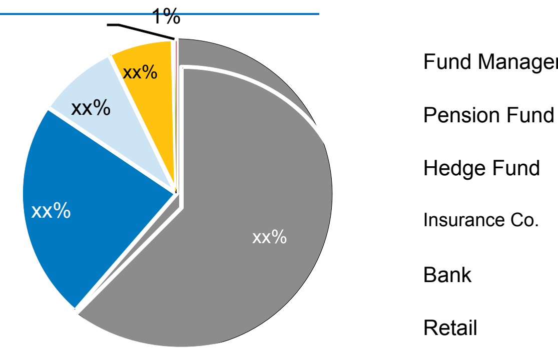
Issuer	Fair Hydro Trust .
Pricing Date	xx-Dec 17
Settlement Date	xx-Dec-17
Ratings (DBRS/Moodys)	xxx
Amount	$xxx million
Coupon	x.xx%
Coupon Dates	xxx and xxx
Maturity Date	x-xxx-xx
Spread vs. Benchmark	+xx bps (credit: +xx bps, curve: +xx bps)
GoC Curve	GoC x.xx% due xx, xxxx GoC x.xx% due xx, xxxx
GoC Benchmark	GoC x.xx% due xx, xxxx
Benchmark Price/ Yield	$xx.xx / x.xx%
Price	$xxxx
Yield	x.xxx%
Syndicate	xxxx

1. Co-Lead Agent & Bookrunner.

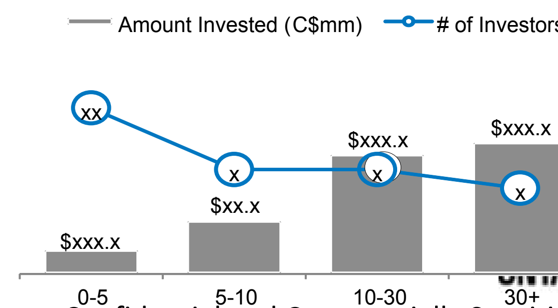
INVESTOR LOCATION



INVESTOR TYPE



ALLOCATION HISTOGRAM[1]



Reporting

- Through OPG's ownership and control over the key activities of the Trust, OPG will consolidate the financial results of the Trust in accordance with US GAAP.
- OPG will report the financial results of the Trust's operations in its annual report and 4th Quarter financial results. These results will be released by OPG in early March 2018.
- The Trust's activities will be reported as a separate segment in OPG's overall results as follows:
  - Regulated – Nuclear Generation
  - Regulated - Hydroelectric
  - Contracted Generation Portfolio
  - Regulated - Nuclear Waste Management
  - Services, Trading, and Other Generation
  - Fair Hydro Trust
- The Trust's financial results will also be reported directly to the Province as OPG's shareholder.