~~*JPHR Comments (November 27-17) based on the confidential shelf offering memorandum.*~~

This confidential shelf offering memorandum constitutes an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This confidential shelf offering memorandum is not, and in no circumstances is to be construed as, a prospectus or advertisement or public offering of these securities. ***No securities commission or similar authority in Canada or in any other jurisdiction has reviewed this material or in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.*** *Persons who acquire securities pursuant to this confidential shelf offering memorandum will not have the benefit of the review of this material by any securities commission or similar authority. The information contained in this confidential shelf offering memorandum has been furnished or supplied by the Issuer based on the most accurate information available as at the date hereof and there is no representation or warranty by the Agents as to the accuracy or completeness of such information. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws and may not be offered or sold within the United States or to, or for the account of, U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. See "Plan of Distribution". This confidential shelf offering memorandum is confidential and contains certain information not publicly disclosed. No one is authorized to make any representation or give any warranty on behalf of the Issuer other than those representations and warranties made or referred to in this confidential shelf offering memorandum.*

The information contained in this confidential shelf offering memorandum and delivered in connection with the private placement of the Notes by the Issuer is confidential, is for the confidential use of only those persons to whom it is delivered in connection with the offering solely for the purpose of considering the purchase of the Notes and its use for any other purpose is prohibited. By accepting this confidential shelf offering memorandum, each prospective purchaser agrees that it will not transmit, reproduce or make available to anyone, other than their respective advisors (so long as they advise such advisors of the confidential nature of such document), this confidential shelf offering memorandum (including any Term Sheets) or any information contained herein, and will not use such information (or permit its advisors to use such information) for any purpose other than to evaluate an investment in the Notes pursuant to an Offering.

CONFIDENTIAL SHELF OFFERING MEMORANDUM

New Issue By Way of Private Placement ■, 2017

FAIR HYDRO TRUST

Senior Secured Notes

Fair Hydro Trust (the "**Issuer**"), a special purpose trust established under the laws of the Province of Ontario by Computershare Trust Company of Canada, acting as trustee of the Issuer, and caused to be established by Ontario Power Generation Inc. ("**OPG**"), as Financial Services Manager, has created a program providing for the offering and issuance of senior secured notes (the "**Notes**"), in one or several offerings. The Issuer was established in connection with the *Ontario Fair Hydro Plan Act, 2017* (the "**OFHPA**"), legislation that [reallocates certain electricity infrastructure ~~(including generation, conservation and demand reduction)~~ costs over time and provides immediate rate relief to Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms).][1] Under the ~~FHPA, Ontario Power Generation Inc. ("**OPG**")~~OFHPA, OPG is appointed as Financial Services Manager and is given the authority to, among other things, establish, or cause to be established, ~~and manage~~ one or more financing entities to raise debt financing [(referred to as "**Funding Obligations**")~~ for the purposes of the FHPA~~][2] in accordance with the OFHPA. The Issuer is a financing entity under the ~~FHPA~~OFHPA and the Notes are Funding Obligations~~ being offered for the purposes of the FHPA~~. *[ntd-jpr: The terms "financing entity(ies)" and "funding obligation(s)" are not capitalized under the OFHPA. Consider defining once if you wish to capitalize terms.]*

The Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Notes are not a debt, liability or~~ general~~ obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity~~. The Notes will be nonrecourse~~, other than to the extent of certain protections and assurances provided for the benefit of specified creditors of the Issuer (including holders of the Notes), in order to address certain concerns arising as a result of an adverse change or determination of law. [Cross refer to the Limited Guarantee]. The Notes will be limited recourse obligations of the Issuer, secured only by the collateral described in this confidential shelf offering memorandum. See *"Risk Factors"*.

The specific terms of any offering of Notes, including, without limitation, the aggregate principal amount of Notes being offered, the currency of the Notes, the issue price (at par, at a discount or at a premium), the issue, delivery and maturity dates, any redemption or repayment provisions, the interest (either fixed or floating and the circumstances, if any, under which the rate may be adjusted), the interest rate basis and interest payment dates, will be established by the Issuer and set forth in a term sheet (a "**Term Sheet**") that will accompany, be incorporated by reference in and form an integral part of this confidential shelf offering memorandum. Unless otherwise specified in a Term Sheet, the Notes will not be listed on any securities exchange.

The offering of Notes from time to time (each, an "**Offering**") will be made pursuant to exemptions from the prospectus requirements of applicable securities laws in each of the provinces [and territories] ***[NTD: Dealers to advise if Notes may be offered in the territories.]*** of Canada only to "accredited investors" (as such term is defined in National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**") and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that are purchasing the Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**")). Purchasers of Notes will be obliged to establish their qualification to invest in accordance with the requirements of the securities laws of the jurisdiction in which they reside. See *"Representations and Agreements of Purchasers"*. As each Offering will be made pursuant to exemptions from prospectus requirements of applicable securities laws, there will be restrictions on the resale of the Notes. See *"Risk Factors"* and *"Restrictions on Resale"*.

The Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time (the "**Agents**"). See *"Plan of Distribution"*. Each Term Sheet will identify the Agents engaged in connection with the applicable Offering of Notes and will also set forth the terms of such Offering of Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents.

Subscriptions for the Notes will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Notes will be delivered and recorded in book-entry form through CDS Clearing and Depository Services Inc. ("**CDS**") or another depository selected by the Issuer in accordance with the master trust indenture governing the Notes. The Notes will be represented by fully registered book-entry notes held by, or on behalf of, such depository, or a successor thereof, as the custodian of the book-entry notes, in its name or the name of its nominee.

The Notes will be issued under and will be entitled to the benefits of a master trust indenture [dated the date of the closing of the first Offering][3] between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee, as supplemented by supplemental indentures thereto.

In making an investment decision, prospective investors acknowledge that they have not relied on the Agents or any person affiliated with the Agents for investment or other advice and are relying on their own examination of the terms of an Offering, including the merits and risks involved and creditworthiness of the Issuer. Prospective investors are not to construe the contents of this document as legal, tax, accounting or investment advice. Prior to investing in the Notes, prospective investors should consult with their legal, tax, accounting and investment advisors to determine the consequences of an investment in the Notes. See *"Risk Factors"* for a discussion of certain factors that should be considered by prospective purchasers of Notes.

The Issuer is not a "reporting issuer" (as such term is defined under applicable Canadian securities laws) in any jurisdiction. The Issuer will only distribute the Notes in Canada under exemptions from the prospectus requirements of the securities laws of the provinces [and territories] where they are sold. The Notes may only be traded in Canada under exemptions from the prospectus requirements of the securities laws of the provinces [and territories] in which they are traded. See "Restrictions on Resale".

There is currently no secondary market for the Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of Notes with liquidity for their investment or that it will continue for the term of the applicable Notes. Accordingly, purchasers of the Notes may be required to bear the financial risk of investing in such Notes until the maturity date of such Notes.

No person is authorized to give any information or make any representation other than those contained in this confidential shelf offering memorandum in connection with an Offering and any decision to purchase Notes should be based solely on the information contained herein. The Term Sheet applicable to such Offering and the investor presentation (the "**Investor Presentation**"), attached hereto as Exhibit [1],[4] is included in, and forms an integral part of, this confidential shelf offering memorandum. The information contained in the Investor Presentation is current only as of the date thereof. The Investor Presentation may be updated and replaced by the Issuer in connection with an Offering and such updated Investor Presentation will be attached as Exhibit [1], and will be included in, and form an integral part of, this confidential shelf offering memorandum delivered in respect of such Offering.

This confidential shelf offering memorandum, including the Investor Presentation attached hereto, and any Term Sheets, are provided on a confidential basis to prospective investors for informational use solely in connection with their consideration of the purchase of Notes. Use for any other purpose is not authorized. Each Offering will be made solely on the basis of the information contained herein or incorporated by reference which has been furnished by the Issuer. No Agent makes any representation or warranty, express or implied, as to the accuracy, adequacy or completeness of such information. Furthermore, no Agent has independently verified the information in this confidential shelf offering memorandum and has no responsibility for the accuracy, adequacy or completeness of any such information.

This confidential shelf offering memorandum does not contain all of the information that would normally appear in a prospectus qualified under applicable Canadian securities laws. Neither the delivery of this confidential shelf offering memorandum, at any time, nor any sales made pursuant hereto, will imply that the information contained herein is correct as of any time subsequent to the date set forth on the face page hereof and the Issuer and the Agents will not update such information except as may be required by applicable law.

All figures in this confidential shelf offering memorandum are in Canadian dollars unless otherwise noted.

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[1] Blakes suggests that this narrative be removed or, if necessary, it should precisely track the Purposes of the Act set out in section 3 of the OFHPA.

[2] Consider a definition of "Funding Obligation" throughout the OM that is consistent with the statutory definition in the OFHPA.

[3] Consider updating given Warehouse closing.

[4] Please provide a copy of the Investor Presentation to the Province.

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CAUTION REGARDING FORWARD-LOOKING INFORMATION

Some of the statements contained in this confidential shelf offering memorandum, including those relating to the Issuer's expectations, forecasts, strategic and other statements, are forward-looking information within the meaning of securities laws. Forward-looking information is contained [in the summary and the sections titled "■", "■", "■"]and "Risk Factors" of this confidential shelf offering memorandum. The forward-looking statements contained in this confidential shelf offering memorandum are presented for the purposes of assisting potential purchasers in making an investment decision regarding the Notes and may not be appropriate for other circumstances.

Often, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management of the Issuer made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that the Issuer believes to be relevant and reasonable at the date that such statements are made. A variety of factors, many of which are beyond the Issuer's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, the following risks: ■. Please also see *"Risk Factors"*. ***[NTD: Update once risk factors are settled.]***

The Issuer does not intend, or assume any obligation, to update any forward-looking information except as may be required by applicable law.

[CONFIDENTIALITY

PRIOR TO RECEIVING THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER MUST HAVE ENTERED INTO A CONFIDENTIALITY UNDERTAKING WITH THE ISSUER (IN A FORM ACCEPTABLE TO THE ISSUER) WHICH PROVIDES THAT BY ACCEPTING A COPY OF THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER AGREES THAT ALL INFORMATION CONTAINED HEREIN, ALL DOCUMENTS DELIVERED IN CONNECTION HEREWITH AND ALL OTHER INFORMATION OBTAINED BY PROSPECTIVE PURCHASERS IN RELATION TO THE ISSUER (COLLECTIVELY, THE "**CONFIDENTIAL INFORMATION**") IS CONFIDENTIAL, THAT NONE OF THE CONFIDENTIAL INFORMATION WILL BE COPIED, TRANSCRIBED, RECORDED OR TRANSMITTED BY THE RECIPIENT FOR ANY REASON OR USED FOR ANY PURPOSE OTHER THAN EVALUATING AN INVESTMENT IN THE NOTES, AND THAT THE RECIPIENT WILL HOLD ALL OF THE CONFIDENTIAL INFORMATION IN CONFIDENCE AND WILL NOT PROVIDE ANY OF IT TO ANY THIRD PARTIES OTHER THAN PERSONS RETAINED TO ADVISE THE RECIPIENT WITH RESPECT TO THE PURCHASE OF THE NOTES (SO LONG AS THEY ADVISE SUCH PERSONS OF THE CONFIDENTIAL NATURE OF SUCH CONFIDENTIAL INFORMATION), WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER.] ***[NTD: Dealers to confirm how the OM will be delivered to prospective purchasers, i.e. will electronic distribution be subject to prospective purchasers clicking on a confidentiality undertaking before being given access?]***

DOCUMENTS INCORPORATED BY REFERENCE

A Term Sheet containing the specific variable terms in respect of an Offering will be delivered to prospective purchasers of Notes together with this confidential shelf offering memorandum and will be deemed to be incorporated into this confidential shelf offering memorandum as of the date of such Term Sheet, solely for the purposes of the Notes issued under such Term Sheet.

[MARKET AND INDUSTRY DATA

Certain of the information contained herein concerning the electricity industry in Ontario is based upon or derived from information provided by [third party consultants and] other industry sources. Neither the Issuer nor the Agents guarantee the accuracy of such information or has independently verified the assumptions upon which projections of future trends and performance are based. This information and data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market or industry data. As a result, prospective purchasers should be aware that the information and data set forth herein, and estimates and beliefs based on such information and data, may not be reliable.] ***[NTD: Revise as appropriate once OM disclosure is substantially settled.]***

REFERENCES TO THE OFHPA AND RELATED REGULATIONS

This confidential shelf offering memorandum describes certain provisions of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act. These descriptions include simplified and summary descriptions of the terms and requirements of the legislation and do not purport to be comprehensive, definitive or determinative. All references in this confidential shelf offering memorandum to the terms and requirements of the *Ontario Fair Hydro Plan Act, 2017* and the regulations made pursuant to that Act are qualified in their entirety by reference to the specific terms and requirements set forth in such legislation, copies of which are available at https://www.ontario.ca/laws/statute/17o16.

SUMMARY

This summary does not contain all the information prospective purchasers should consider before investing in the Notes. Prospective purchasers should read this entire confidential shelf offering memorandum carefully, including the section entitled "Risk Factors". Capitalized terms used and not otherwise defined in this summary have the meanings ascribed to them in the glossary starting on page [55] of this confidential shelf offering memorandum.

[NTD: Working group to consider whether it would be useful to reproduce or pull forward any charts included in the body.]

Issuer:	Fair Hydro Trust, a special purpose trust ~~established under~~governed by the laws of the Province of Ontario.
Manager:	Ontario Power Generation Inc. ("**OPG**").
Summary of the Program:	The program provides for the offering and issuance by the Issuer of Notes, in any number of series (each a "**Series**"), in one or several offerings (each, an "**Offering**"). A Term Sheet will describe particulars of the terms of each Series of Notes and will be incorporated by reference and form an integral part of this confidential shelf offering memorandum. Each Series of Notes will be issued under the master trust indenture [dated the date of the closing of the first Offering][5] (the "**Master Trust Indenture**") between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee (the "**Indenture Trustee**"), and a supplemental indenture dated the date of the issuance of such Series between the Issuer and the Indenture Trustee (a "**Supplemental Indenture**" and collectively with the Master Trust Indenture, the "**Indenture**") authorizing that Series.
Ontario's Fair Hydro Plan:	On June 1, 2017, the Ontario Legislature passed the *Ontario Fair Hydro Plan Act, 2017* (the "**~~FHPA~~OFHPA**" or the "**Act**")[, which is legislation sponsored by the Government that reallocates certain electricity infrastructure costs, including generation, conservation and demand/load reduction contract costs, over time and provides immediate rate relief to specified consumers (a category of consumers that is defined under the Act and generally is comprised of residential consumers, small businesses and farms).][6] Under the ~~FHPA~~OFHPA, OPG is appointed as the initial Financial Services Manager [and is given the authority to, among other things, establish, or cause to be established, ~~and manage~~ one or more Financing Entities [to raise debt financing by][7] incurring funding obligations as contemplated under the ~~FHPA~~OFHPA and its regulations (referred to as "**Funding Obligations**")[8] for the purposes of[9] implementing the electricity rate reductions provided for under the ~~FHPA~~OFHPA][10]. The Issuer is a Financing Entity, [established by][11] Ontario Power Generation as Financial Services Manager, under the ~~FHPA~~OFHPA and the Notes are Funding Obligations being offered [for the purposes of the ~~FHPA~~OFHPA][12]. See *"Ontario's Fair Hydro Plan — Background"*.
Transferor and Servicer:	The Independent Electricity System Operator (the "**IESO**") is a non-share capital, not-for-profit corporation continued under the *Electricity Act, 1998*. The IESO manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market.
Investment Interest:	Each month, the IESO will determine the shortfall resulting from the rate reduction verses the amounts payable to generators and contract ~~counter~~

~~parties~~counterparties][13], as mandated by the ~~FHPA~~OFHPA and Regulations and record the amount of this difference in a variance account (the right to recover such amount~~, referred to as the~~ is a regulatory asset established under the Act (the "**Regulatory Asset**")). The IESO may transfer a specified portion of the Regulatory Asset to the Issuer in accordance with the OFHPA. Such transfers will be made pursuant to a master transfer and servicing agreement dated the [date of the closing of the first Offering][14] between the Issuer and the IESO (the "**Master Transfer and Servicing Agreement**"). Upon the first transfer of a specified portion of the Regulatory Asset to the Issuer, the [I]nvestment [A]sset [will][15] be established and the Issuer [will] acquire an Investment Interest in the Investment Asset, which is a current and irrevocable property right consisting of the ~~right~~rights specified in the Act, including the right and interest to impose, invoice, collect, receive and recover the Clean Energy Adjustment from specified consumers in accordance with the ~~FHPA~~OFHPA. See *"Ontario's Fair Hydro Plan — Regulatory Asset"*, *"Ontario's Fair Hydro Plan — Investment Interest"* and *"The Transferor and Servicer"*.[16]

Clean Energy Adjustment:

The ~~FHPA~~OFHPA imposes an irrevocable and non-bypassable charge referred to as the clean energy adjustment **("Clean Energy Adjustment")** that will be determined by the Financial Services Manager ~~and will be converted by the~~based on the calculations and parameters set out in the Act. The Ontario Energy Board (the "**OEB**") ~~into a cent per KWh rate and added to the electricity invoices sent to Specified Consumers. See "~~is required to determine the rates at which Specified Consumers are to be invoiced in order to recover the Clean Energy Adjustment in respect of a specified reference period (which is generally a six-month period, or a shorter period in certain circumstances). The rates are to be determined by reference to forecasted electricity consumption of Specified Consumers for a period and are expressed as a cent per KWh rate. See *"• — Statutory Duties of the OEB"* below.

The Clean Energy Adjustment ~~is an amount~~will be determined by the Financial Services Manager for each month in a reference period ~~(which is generally a six-month period, subject to more frequent determinations in certain circumstances)~~ and consists of the sum (without duplication) of: (i) the estimated finance amount in respect of the reference period, which ~~includes all financing and other expenses of the Issuer for~~will include an estimate of all repayments, redemptions, funding costs, derivative payments, required deposits, Issuer expenses and taxes and other amounts paid or payable during such reference period, and (ii) the True-up Amount for such Reference Period, all divided by the number of months in the applicable Reference Period.

The "**True-up Amount**" is ~~comprised of~~required to be calculated by the Financial Services Manager in accordance with the Regulations. In principle, the True-up Amount should serve to ensure that the collection of the Clean Energy Adjustment is sufficient to pay the Finance Amount when it is due, by capturing any Finance Amounts not previously recovered through the Clean Energy Adjustment during preceding Reference Periods ~~plus other anticipated shortfalls~~. The True-up Amount ~~accounts for~~may also reflect historical and reasonably foreseeable: differences between the estimated and actual finance amount;

differences between amounts invoiced and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs~~,~~; and variations in billings due to variations in electricity consumption~~ and~~. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the ~~FHPA~~OFHPA. The Financial Services Manager is obligated to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not be paid in full. The Financial Services Manager may also, at any time during a Reference Period, determine an interim True-up Amount if, among other things, it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for ~~such~~a Reference Period.

[Commencing May 1, 2021, the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no funding obligations are permitted to be incurred~~ by the Financial Services Manager~~ that would give rise to a Clean Energy Adjustment being payable by Specified Consumers except under unexpected or rare or unexpected circumstances ***[ntd-LSB Energy: : for example, unless there was no readjustment amount allocated to the reference period or the clean energy adjustments that would be payable during the reference period would not exceed the fair allocation amount net of any applicable readjustment amount, per s.21(4) OFHPA]*** . During the Moratorium Period, the sole source of funds for payment on the Notes, and the Issuer's other carrying costs, will be the IESO. See *"— Financing of Carrying Costs During Moratorium Period"* below.][17]

Acceleration of Indebtedness:

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Notes) becomes due and payable before its scheduled payment date, maturity date or redemption date, then the estimated Finance Amount used by the Financial Services Manager to determine the Clean Energy Adjustment ~~after such time shall~~for a period will be determined without regard to the fact that such amount has become~~ immediately~~ due and payable, unless and only to the extent that the amount of the Clean Energy Adjustment is capable of being increased based on the Fair Allocation Amount for such period. See *"— Fair Allocation Amount and Financing Plan"* below. However, upon such acceleration, the priority of payments to creditors of the Issuer will change so that all accelerated Notes will be repaid in full before any further payments are made to holders of subordinated indebtedness, including the subordinated debt held by OPG[18]. See *"— Subordinated Debt"* below.

Statutory Duties of the OEB:

The OEB is an independent public regulatory agency established under the *Ontario Energy Board Act, 1998*. The *Ontario Energy Board Act, 1998* provides the OEB with the authority to [regulate Ontario's electricity market][19], including the activities of transmitters and distributors.

Under the ~~FHPA~~OFHPA and the regulations promulgated thereunder (the "**Regulations**"), the OEB is responsible for determining the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed ~~in $/~~as a cent per kWh and determined by the OEB by dividing (i) the aggregate Clean Energy Adjustment ~~in respect of the relevant period of time~~ as determined by the Financial Services Manager in respect of the relevant period of time by (ii) the forecast ~~provided by the IESO~~ of electricity consumption of Specified Consumers in respect of such period, based on forecast information provided to the OEB by the IESO. See *"— Statutory and Servicing Duties of the IESO"* below.

Statutory Duties of Electricity Vendors: Electricity is distributed to almost all Specified Consumers in Ontario through a network of local distributors. These local distributors include approximately 65 ***[NTD: Figure based on IESO presentation. To be confirmed.]*** municipal electricity distributors, including a few privately owned electricity distributors and Hydro One Inc. These local distributors, together with the licensed retailers and the IESO in circumstances where it directly invoices a Specified Consumer, are referred to as the "**Electricity Vendors**". [Approximately 60% of the electricity distribution to Ontario's approximate 5.1 million consumers is supplied by only three Electricity Vendors.] ***[NTD: To be confirmed.] [NTD: What percentage of these consumers are "Specified Consumers"? If this data is relatively static, include in base shelf OM. If not, consider including in Investor Presentation only.]***

The ~~FHPA~~OFHPA and the Regulations require Electricity Vendors to invoice their Specified Consumers for the amounts payable in respect of ~~for~~ the Clean Energy Adjustment~~ commencing May 1, 2021,~~, as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice sent to Specified Consumers. Electricity Vendors are also required to collect, as agent of [the Issuer][20], amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, hold such amounts in trust for the benefit of [the Issuer] until ~~deposited with the IESO and remit such amounts~~remitted to the IESO for the benefit of [the owners of Investment Interests (initially, only the Issuer)]. [If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate ~~the~~any payment received on a *pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice.][21] It is a deemed condition of their license that Electricity Vendors comply with the ~~FHPA.~~OFHPA.[22]

As [security for the obligations of Electricity Vendors under the ~~FHPA~~OFHPA][23], the IESO will, if requested by the Issuer once the Clean Energy Adjustment is being invoiced to Specified Consumers, provide the Issuer with a letter of credit in an amount equal to $■, representing approximately one month of Clean Energy Adjustment amounts to be collected by all non-investment grade-rated Electricity Vendors. Alternatively, if acceptable to the Issuer, the IESO may provide an equivalent performance guarantee instead of a letter of credit.

Non-bypassability:

The ~~FHPA~~OFHPA mandates that an amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of the consumer's indebtedness resulting from the Clean Energy Adjustment, and is irrevocable on invoicing such Specified Consumer and may not be set off or bypassed. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

Management Duties of OPG:

OPG has entered into a management agreement (the "**Management Agreement**") with the Issuer pursuant to which the Issuer has delegated to OPG, as manager (the "**Manager**"), all of the powers and duties of managing the Issuer, including determining whether to incur Funding Obligations (including Offerings of Notes) to acquire an Investment Interest or refinance existing Funding Obligations, negotiating and entering into Program Agreements, maintaining accounts and banking records, preparing any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations (including the Notes) and preparing financial statements and tax filings on behalf of the Issuer.

In addition to the powers and duties delegated to the Manager under the Management Agreement, OPG is also required to comply with its duties as the initial Financial Services Manager under the ~~FHPA~~OFHPA, including preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred for the purposes of Financing Entities acquiring and financing an Investment Interest, determining the amount of the Clean Energy Adjustment inclusive of any True-up Amount, notifying the OEB of the Clean Energy Adjustment inclusive of any True-up Amount and ensuring that Funding Obligations are incurred in a manner consistent with the Financing Plan. OPG may also administer the Investment Interest ~~of~~on behalf of the Issuer and any other Financing Entities. Subject to OEB approval and the Regulation, OPG is also entitled to charge the Issuer a fee to earn a return and to recover costs and expenditures incurred by OPG in relation to the establishment, management and administration of the Issuer and its Investment Interest. See *"The Manager"*.

Statutory and Servicing Duties of the IESO:

The IESO is required, as agent of [the Issuer], to receive Clean Energy Adjustment amounts paid to it from Electricity Vendors, deposit such amounts promptly into a segregated account established for the purpose of receiving the Clean Energy Adjustment, hold such amounts in trust on behalf of [the Issuer] and remit such amounts to [the Issuer] [on a monthly basis, subject to daily remittance being required in certain limited circumstances][24]. In addition, the IESO provides certain reporting and other servicing duties in favour of the Issuer, including providing ~~forecasts of~~forecast information regarding electricity consumption by Specified Consumers to the OEB and the Financial Services Manager, [25] [using commercially reasonable efforts to cause Electricity Vendors to establish segregated accounts into which Clean Energy Adjustment amounts are deposited], remitting such amounts to [the Issuer] and fulfilling certain additional reporting requirements. [Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer][26]. However, the Issuer will reimburse the IESO for its direct costs for the provision of any services to the Issuer that are not required to be performed by the ~~FHPA~~OFHPA or the Regulations and that are otherwise not recovered or recoverable by the IESO under the *Electricity Act*.[27] ***[NTD: Subject to finalization of***

MTSA] See *"The Transferor and Servicer."*

Financing of Carrying Costs during the Moratorium Period:

During the Moratorium Period and ending on July 31, 2021, the IESO is required under the Regulations to pay and remit to the Issuer any amounts charged to the IESO by the Issuer in respect of its "carrying costs".[28] "Carrying costs" include all funding costs (such as interest on the Notes) and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (including repayment of principal on the Notes).[29]

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of carrying costs estimated to be incurred by the Issuer in the following month. On or before the [14th] business day [of each calendar month/following receipt of the Issuer's statement], the IESO is required to deliver the amount specified to the Issuer in the carrying costs statement. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Electricity Financial Corporation, expiring ■, 20■, available for the purposes of paying the Issuer's carrying costs. ***[Update to current MTSA.]***

As security for the performance of its obligation under the Regulations to pay the Issuer's carrying costs, the IESO has granted the Issuer a first-priority security interest in all of its accounts receivable[, which includes the global adjustment charge]. ***[NTD: To be confirmed and subject to finalization of IESO security agreement.]*** See *"The Transferor and Servicer"*.

Change of Law Protection Agreement *[To be updated with details from executed agreement.]*:

[NTD: Subject to finalization of agreement.] Pursuant to the Change of Law Protection Agreement in favour of the Issuer and the Indenture Trustee, upon a Protection Event, the Province of Ontario is required to either, at its election: (i) pay the Notes as they become due and payable, or (ii) assume the Notes as primary obligor. ***[NTD: Drafted to assume we will only ever use this OM for an issuance of Notes that we know will constitute an "Approved Obligation" under the Change of Law Protection Agreement.]*** The occurrence of a Protection Event in and of itself will not result in the acceleration of the Notes. ***[NTD: Consider additional disclosure regarding assumption mechanics and consequences]***

Each of the following constitutes a "**Protection Event**":

(a) the Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the ~~FHPA~~OFHPA, in whole or in part, as in effect on the date hereof;

(b) the Ontario legislature enacts or amends any other statute;

(c) the Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under or in connection with, the ~~FHPA~~OFHPA, in whole or in part, as in effect on the date hereof;

(d) the Lieutenant Governor in Council, a minister of the Province, an official of the government or board or commission appointed by the Lieutenant Governor in Council makes or amends any regulation; or

(e) there is a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province or any entity controlled by the Province,

in each case, that materially and adversely affects the ability of the Issuer to receive amounts on its Investment Interest so that it can pay the Notes in accordance with their terms or the Change of Law Protection Agreement or any of the agreements under which the Notes arise, other than if the Indenture Trustee has confirmed in writing that the effect under such agreements is otherwise acceptable, or

(f) a court determines that all or a portion of the ~~FHPA~~OFHPA or the Regulations, as in effect on the date hereof, is *ultra vires* or invalid in a way that materially and adversely affects the ability of the Issuer to receive amounts on its Investment Interest so that it can pay Obligations Secured (including the Notes) that has the effect of the Issuer not having sufficient funds to pay Obligations Secured (including the Notes) that have become due and payable.

[As a condition to any Offering of Notes, OPG will be required to deliver a certification to the Agents confirming that the Change of Law Protection Agreement applies in respect of the particular Series of Notes offered.]

See *"Change of Law Protection Agreement"*.

Fair Allocation Amount & Financing Plan:

The Fair Allocation Amount is an amount calculated under the ~~FHPA~~OFHPA and the Regulations by the Minister of Energy in respect of each Reference Period and which, among other things, allocates the estimated Clean Energy Costs in proportion to the relative attribution of Clean Energy Benefits among Specified Consumers.[30]

The Financial Services Manager is required to prepare a Financing Plan under the ~~FHPA~~OFHPA to evaluate whether potential Funding Obligations should be incurred by the Issuer or other Financing Entities ~~and having~~for the purposes of acquiring an Investment Interest [or for the purposes of a Refinancing]. In preparing the Financing Plan, the Financial Services Manager must have regard to certain principles, including that Funding Obligations should be incurred ~~so that~~such that, along with any Funding Obligations already incurred, the estimated Finance Amount that would, subject to any Refinancing, become due and payable during a Reference Period will reasonably align with the Fair Allocation Amount determined in respect of such Reference Period, in each case after reducing the Fair Allocation Amount by the Readjustment Amount, if any, in respect of the Reference Periods. In other words, the Financing Plan should contemplate the issuance of Funding Obligations from time to time, with terms that would result in Clean Energy Adjustments being payable by Specified Consumers that align with the purposes of the ~~FHPA~~OFHPA, [namely, to ensure that present and future Specified Consumers are bearing their share of the costs of providing Clean Energy Benefits].[31] Notwithstanding the above, the ~~FHPA~~OFHPA provides that each Funding Obligation is deemed to be consistent with the Financing Plan and to provide for the reasonable alignment of the estimated Finance Amount with the Fair Allocation Amount.

Currently, the Clean Energy Costs have been determined to exceed the Clean Energy Benefits, with the result that the Fair Allocation Amount is negative. This means that the Minister of Energy has determined that current Specified Consumers have borne more than their fair share of Clean Energy Costs (with the consequent rate reduction for current Specified Consumers). The Fair Allocation Amount is expected to be negative until at least May 2024. Accordingly, any Notes maturing at a time when the Fair Allocation Amount is negative are expected to be refinanced through the issuance of another Series of Notes. If Notes cannot be refinanced on or before maturity, holders of such Notes will have the ability to accelerate their Notes resulting in Clean Energy Adjustments that would otherwise be used to pay holders of Subordinated Notes being used to pay holders of accelerated Notes.

[The Financing Plan accommodates the issuance of a variety of corporate debt instruments and borrowings, including term bank debt, revolving bank lines of credit, publicly issued and privately placed debt securities (such as the Notes), commercial paper, medium-term notes, interest rate and currency swaps and other hedging instruments. Based on the Fair Allocation Amounts and subject to the availability of debt financing, it is expected that the Issuer (or other Financing Entities) may incur up to approximately $■ of indebtedness annually over the next ■ years, comprised of approximately $■ of senior debt (including the Notes) and approximately $■ of subordinated debt.] ***[NTD: Consider what we will need to say about the Issuer's plans to raise additional debt, including the use of the short-term warehousing facility. Will investors expect to see a copy of the Fair Allocation Curve?]***

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[5] Consider updating given Warehouse closing.

[6] Blakes suggests that this narrative be removed or, if necessary, it should precisely track the Purposes of the Act set out in section 3, including key definitions such as "clean energy costs", "clean energy benefits", and to incorporate the principles of alignment and fairness over time. Drafting needs to avoid interpretive statements.

[7] Confirm under the Act.

[8] As stated in a note to the Face Page, please consider redrafting with a more fulsome explanation of "Funding Obligations" that is consistent with the Act and removing the "debt financing" language.

[9] Note that the statutory definition of "funding obligation" provides that funding obligations have the more immediate purpose of funding ownership of an investment interest. Please consider characterizing the purpose of funding obligations in accordance with the OFHPA.

[10] Blakes suggests that this narrative be removed or, if necessary, it should precisely track the appointment, duties and powers contemplated in sections 18 and 19 of the Act. Drafting needs to avoid interpretive statements. Refer to Financing Plan provisions under section 21 and incurrences by financing entities under section 22.

[11] Confirm and conform to definition of "financing entity" as required.

[12] Avoid narrative.

[13] Blakes suggests that this narrative should more precisely track the calculation contemplated in section 15 of the General Regulation.

[14] Should the 2017 transaction (ABCP conduits) be separately explained?

[15] Fix tense. This has now happened.

[16] Please consider revising the disclosure to explain the difference between the Investment (a bundle of statutory rights and interests held by investment interest owners collectively) and the Investment Interest (an ownership interest in the rights and interests comprising the Investment Asset).

[17] Blakes suggests that this narrative should more precisely track the framework of the legislation. The relevant provisions are 25(3) of the Act (The IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021) and 21(4) of the Act (i.e., limitation on FSM incurring funding obligations payable through CEAs from July 1, 2017 to April 30, 2021). The proposed disclosure regarding the timing of CEA invoicing does not precisely track the legislation.

[18] Confirm if subordination extends to amounts due beyond principal.

[19] Narrow?

[20] This and similar static references to the Issuer should instead refer to investment interest owners, of which the Issuer is the first, and then cross-refer to the concept of co-ownership in order to facilitate additional financing entities in the future.

[21] Conform to 17(4) of the Act.

[22] Confirm.

[23] Please conform to current MTSA. L/C is credit support, rather than security.

[24] Please consider disclosing which IESO duties are statutory and which arise under the MTSA. For instance, in this sentence, these time requirements arise from the MTSA. General Regulation s. 9(2) only requires that IESO remit within a reasonable period of time.

[25] Please confirm when the IESO provides forecast materials to the FSM. The MTSA requires the IESO to provide forecast materials to the Issuer.

[26] Confirm.

[27] Consider how to address IESO's ability to capitalize expenses under the Regulatory Asset, including funding rebates and amounts incurred under 9.1 of the Regulation (see 16(3) of the Regulation).

[28] Please clarify this disclosure for consistency with section 9.1(1) of the General Regulation. This provision states that the IESO shall pay financing entity carrying costs in respect of the period beginning June 1, 2017 (before the "Moratorium Period") and ending on July 31, 2021.

[29] Consider conforming to section 9.1(3) of the General Regulation. The regulation provides that "carrying costs" also include derivative payments, etc.

[30] **Note to Province:** Please review this narrative description of the fair allocation amount.

[31] Please characterize the purpose to confirm with s. 3 of the OFHPA.

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Description	TOR_2024-#12923381-v4-Blakes_Comments_-_Offering_Memorandum_for_Hydro_Trust_(12/05/17)
Rendering set	Standard

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~~Deletion~~	
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Moved cell	
Split/Merged cell	
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