

Fair Hydro Trust Investor Presentation

January [xx], 2018

Denotes Major Change



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Presenters



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Chief Financial Officer &
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I. Introduction and Transaction Overview

Introduction

Ontario's Fair Hydro Plan

- The Province of Ontario announced its Fair Hydro Plan (FHP) on March 2, 2017, which proposed to lower the average electricity bill for eligible customers¹ ~~(referred to as Specified Consumers)~~ by 25% (the “Fair Adjustment”)
- The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax granted by the Ontario government in January 2017
- ~~It is expected that the rate reduction will be in effect until April 30, 2021, with any rate increases until that date limited to the rate of inflation in Ontario~~

Legislation

- On June 1, 2017, the Ontario government passed the *Ontario Fair Hydro Plan Act, 2017* ~~(together with the regulations promulgated thereunder, the “FHPA” or “Act”)~~ to give effect to the FHP, ~~legislation that reallocates certain electricity costs over time and provides immediate rate relief contemplated by the Fair Hydro Plan to Specified Consumers~~
- The FHPA was enacted to ensure that clean energy costs and clean energy benefits are fairly allocated among present and future Specified Consumers and to provide fairness for Specified Consumers over time
- The FHPA is supplemented by regulations related to the implementation of the FHPA (the “Regulations” and together with the FHPA, the “Legislation”)
- The FHPA imposes an irrevocable and non-bypassable charge recoverable from Specified Consumers and referred to as the Clean Energy Adjustment (CEA); ~~that~~ will be determined by Ontario Power Generation (OPG) in accordance with the Legislation in its role as Financial Services Manager under the Act
- The CEA will be determined for each six month reference period and converted by the Ontario Energy Board (OEB) into a \$/kWh rate and added to electricity invoices sent to Specified Consumers commencing on May 1, 2021
- From July 1, 2017 to April 30, 2021 (the “Moratorium Period”), no payments in respect of CEA ~~will be expected to be collected~~; during ~~this~~ the Moratorium period the Independent Electricity System Operator (IESO) is obligated to pay all funding and other expenses of the Trust (excluding principal) (referred to as “Carrying Costs”) under the Regulations Legislation

Fair Hydro Trust

- The implementation of the Fair Hydro Plan will be financed by the Fair Hydro Trust (“FHT”, the “Trust” or the “Issuer”) through the issuance of senior, subordinated and junior subordinated notes
- Structured to be bankruptcy remote and even though consolidated by OPG on an accounting basis is ring fenced from OPG’s other creditors
- The FHT term notes will be repaid through the CEA payments received from Specified Consumers

¹ ~~Primarily Regulated Price Plan-eligible customers~~ Defined as Specified Consumers under the FHPA.-

Summary of Indicative Terms

Overview of Notes

Class	Senior	Subordinated	Junior Subordinated
Issue Amount	\$[●]MM	• \$[●]MM (not offered)	• \$[●]MM (not offered)
% of Aggregate Notes	{51%}	{39%}	{10%}
Proposed Ratings (DBRS / Moody's)	[AAA(sf)/AA(sf)]	[●(sf)/●(sf)]	[●(sf)/●(sf)]
Term to Maturity	~{15 years}	~{15 years}	~{15 years}
Expected Maturity Date	May 15, 2033 •	May 15, 2033 •	May 15, 2033 •
Principal Payment Default Date	May 15, 2035 •	May 15, 2035 •	May 15, 2035 •
Par Call Date	November 15, 2032 •	November 15, 2032 •	November 15, 2032 •
<u>Principal Accumulation</u>	Principal will be accumulated monthly commencing January 2030 to facilitate repayment of notes on the expected maturity date		
Interest Type	Fixed		
Day Count	180/360, first payment actual/365		
Payment Dates	April-May 15 and October-November 15 or next business day		

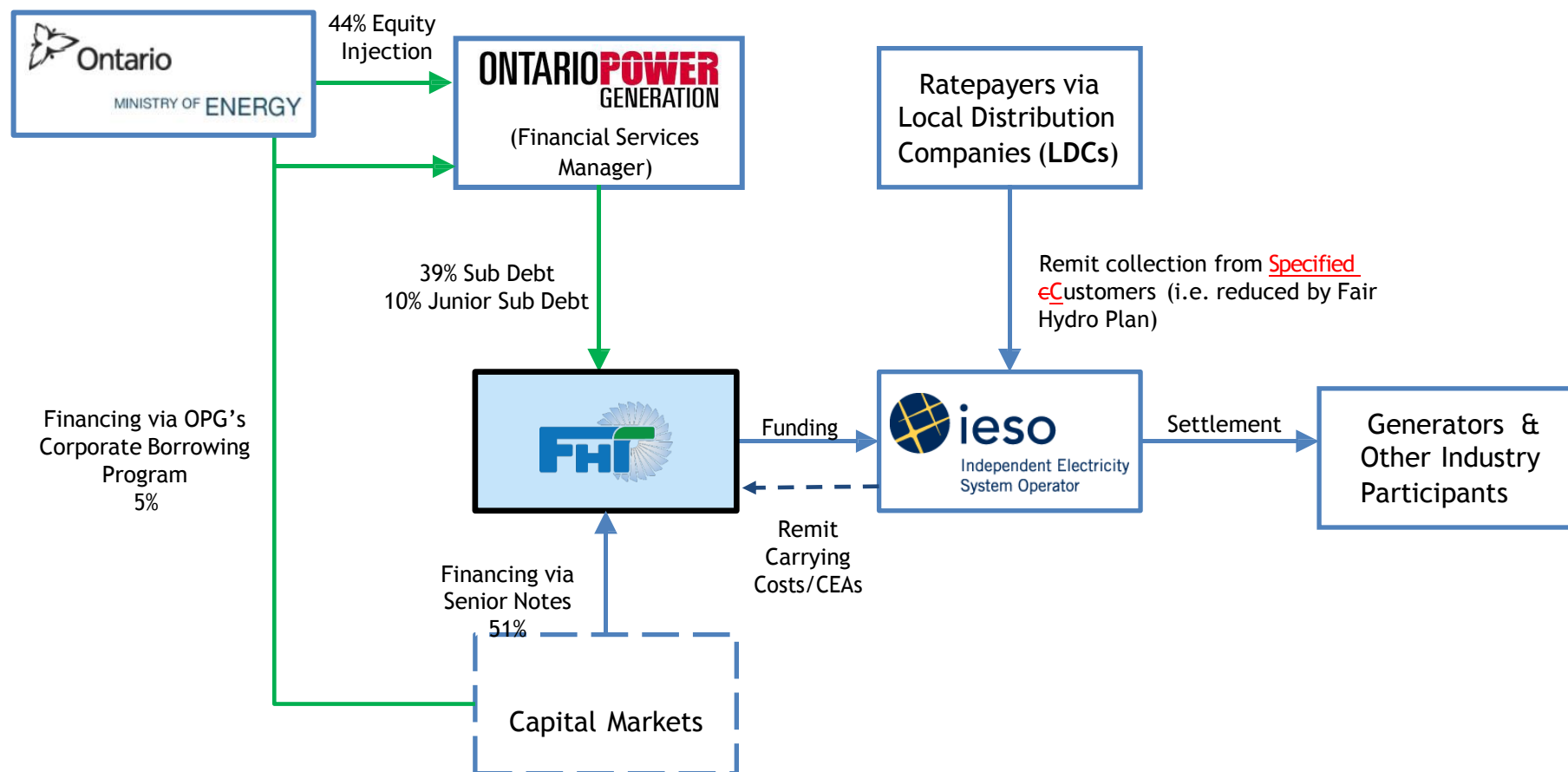
Credit Enhancements	Credit enhancements for the FHT 2018-1 Senior Notes will consist of:
	- Subordinated and Junior Subordinated notes equal {49%} of the aggregate issuance amount and will be retained by OPG A segregated trust account with an eligible institution, referred to as a Program Cash Reserve Account, A Program Cash Reserve Account which will begin to be funded from Clean Energy Adjustments following the Moratorium Period until it reaches 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations - Change of Law Protection Agreement to address political risk - True-up mechanism to address any shortfalls in collections

Operating Agents	OPG serving as the Financial Services Manager and the Independent Electricity System Operator as the Servicer
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- ~~The Fair Hydro Trust, Series 2018-1 ("FHT 2018-1") notes are secured by the Trust's right to collect Clean Energy Adjustments~~
- ~~The FHT 2018-1 structure will consist of three classes of sequential pay, fixed rate, semi-annual bullet notes~~
- ~~Principal will be accumulated to facilitate the repayment of notes on the expected maturity date~~

Transaction Structure

- Concurrent with every issuance of senior notes, it is expected that OPG will purchase subordinated debt and junior subordinated debt of the Trust in an aggregate amount not to exceed 49% of all outstanding debt
 - The subordination amount may vary but must at least be equal to or greater than 35% of all outstanding debt



Note: The diagram above is based on subordinated debt of 49% of all outstanding debt

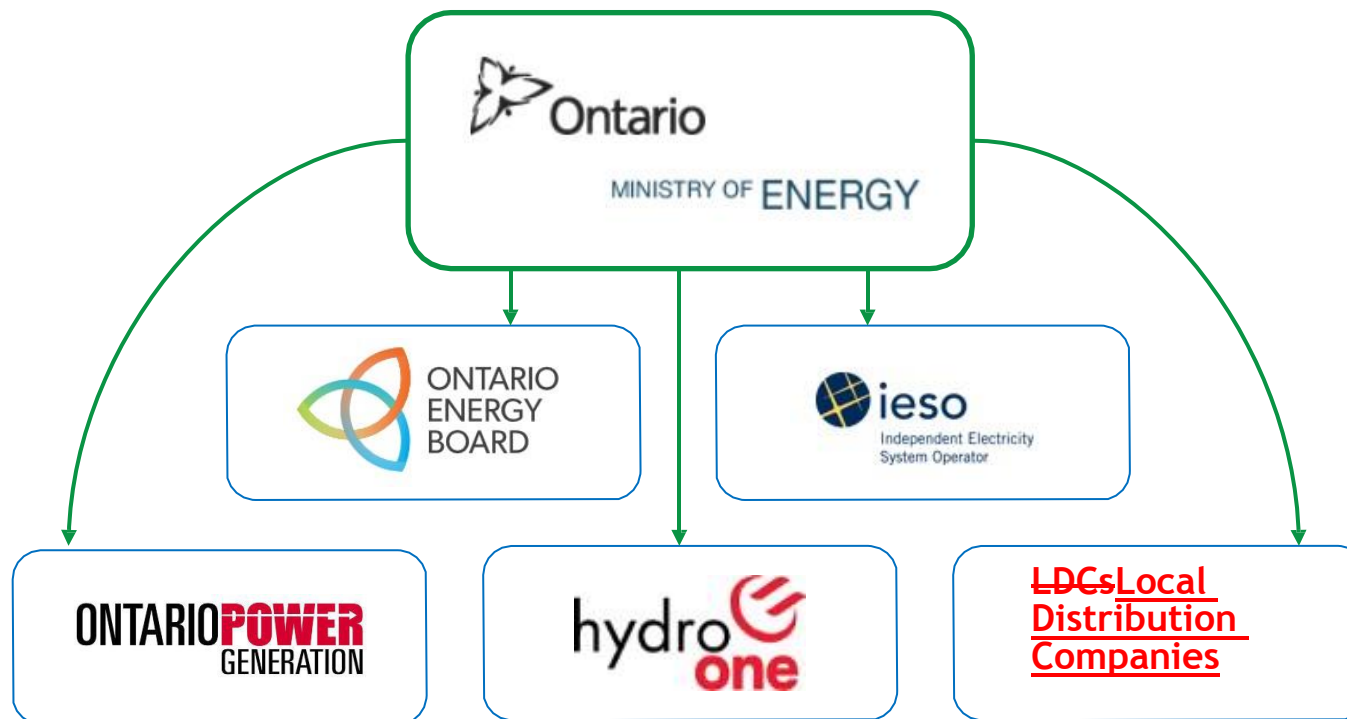
Note: The assets and liabilities of the Trust are deemed, under the *Electricity Act, 1998* to exclude the assets and liabilities of OPG, and vice versa.



II. Ontario Electricity Market

Overview of Ontario's Electricity Market

- Highly regulated electricity market comprised primarily of three components: generation, transmission and distribution; ~\$22 billion in average annual cash flows¹
- Transmission rates, distribution rates, and OPG's regulated rates are set by the OEB
- Rates for the majority of the remaining generation supply are set by the wholesale electricity market and by direct contracts with the IESO (e.g. Bruce Power (nuclear), wind, solar, hydroelectric)



¹ Source: "Ontario Planning Outlook - A technical report on the electricity system prepared by the IESO" dated September 1, 2016. The amount represents the

mathematical average of the system costs on page 44 in the appendix “Data Tables for the OPO Technical Report”.

Key Industry Participants

Participants	Credit Ratings (DBRS / S&P / Moody's)	Description
	AA (I) / A+ / Aa2 ¹	The Province of Ontario through the Ministry of Energy sets the policy for the electricity system
	--	- Independent public regulatory agency established under the <i>Ontario Energy Board Act, 1998</i> and has the authority to regulate Ontario's electricity market, including the activities of transmitters and distributors - Sets the regulated price for the commodity cost charged to most residential electricity customers via the Regulated Price Plan (RPP); RPP rates are set twice a year (May and November)
	A(h) / -- / Aa2	Corporation without share capital Not-for-profit corporation established under the <i>Electricity Act, 1998 (Ontario)</i> - Manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market
	A(I) / BBB+ / --	- Corporation formed under the <i>Business Corporation Act (Ontario)</i>, whose sole shareholder is the Province of Ontario - Principal business is the generation and sale of electricity in Ontario and is Ontario's largest clean energy electricity generator, providing approximately half of the province's electricity
	A(h) / A / A3	Ontario's largest electricity transmission and distribution company, delivering electricity to over 1.3 million customers across the province, and to large industrial customers and municipal utilities

¹ The credit ratings noted are for the Province of Ontario.

Key Industry Participants - LDC Overview

- As part of the restructuring of Ontario's electricity industry under the *Energy Competition Act, 1998*, the municipal electricity utilities became municipally-owned business corporations, ~~including LDCs~~. The majority of LDCs continue to be municipally-owned, while others have been ~~sold to or~~ acquired by Hydro One or private-sector owners
- An LDC is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors

Select Aggregate Market Stats¹

Number of LDCs in Ontario	65
Residential & Small Commercial ² <u>Total</u> Revenue	\$18.89 billion
Residential & Small Commercial ² Metered Usage (kWh)	52.39 billion
Residential Customers	4.61 million
Small Commercial ² Usage Customers	0.44 million
Total Residential & Small Commercial ² Customers	5.05 million

¹ Source: OEB 2016 Yearbook of Electricity Distributors

² Small Commercial includes General Service <50kW Customers

³ Most recent rating reports from S&P, DBRS and Moody's

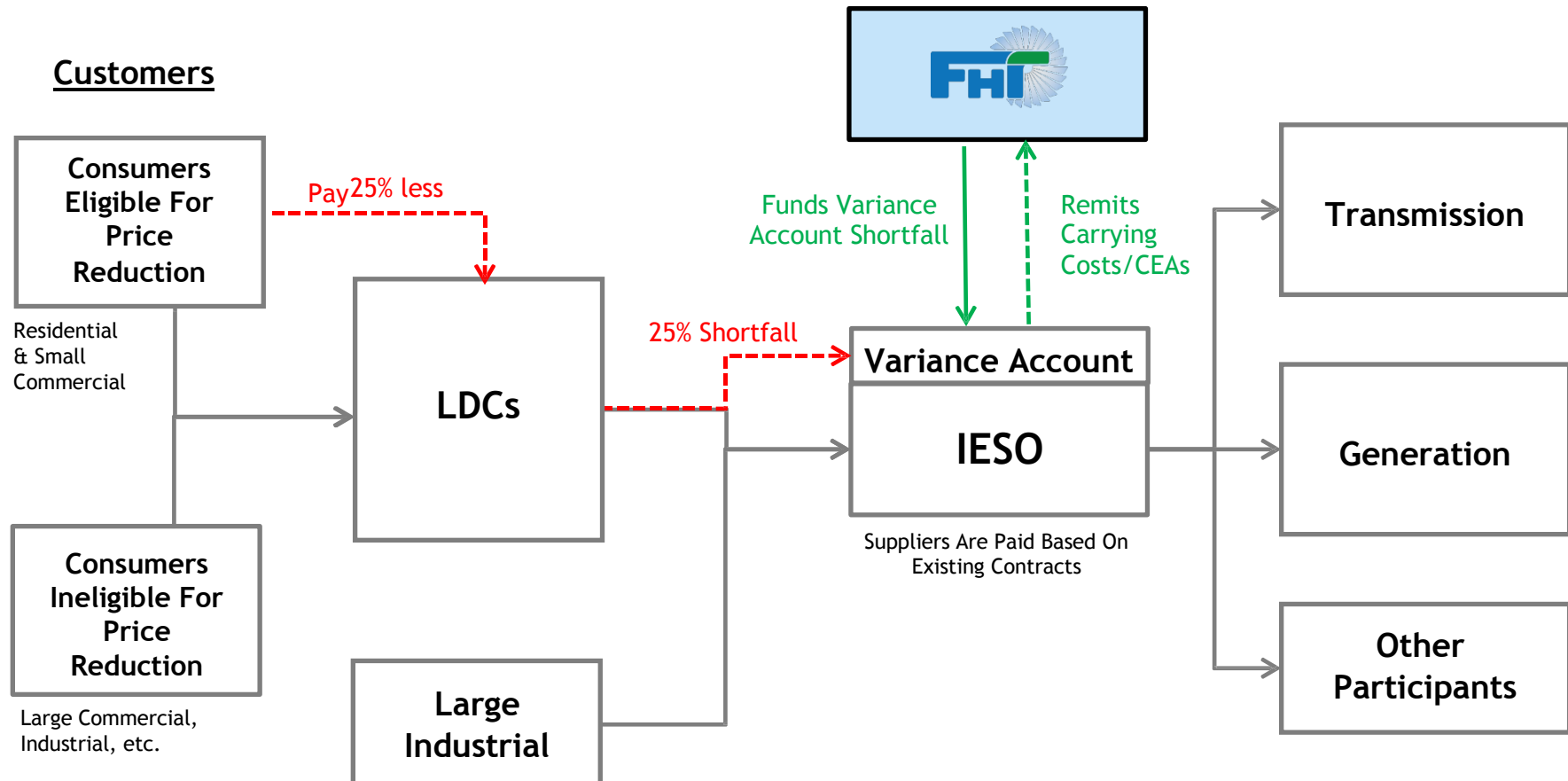
⁴ Residential and Small Commercial customers

Top 5 LDCs by Customer Base¹

	Rating ³ (S&P/DBRS/Moody's)	Customers ⁴ (MM)	<u>Total</u> Revenue ⁴
	A / A(h) / A3	1.30	\$4,533
	A / A / --	0.96	\$3,642
	A / A / --	0.75	\$3,886
	BBB+ / A / --	0.32	\$1,130
	A / -- / --	0.15	\$488
		3.49	\$13,680
Percentage of Residential & Small Commercial ²		69%	72%

Electricity Market with FHT

- Under the FHPA, each month the IESO determines the IESO deferral (the shortfall that results from the Fair Adjustment) and records this amount, together with financing costs and other related, in a variance account
- FHT will finance the shortfall and is entitled to recover its costs and the principal and interest on its debt through CEAs from Specified Consumers



III. Legislative and Regulatory Framework

Legislation Overview

Purpose

- The FHPA was enacted to ensure that clean energy costs and clean energy benefits are fairly allocated among present and future Specified Consumers
- Clean energy costs are costs allocated to consumers as a result of Ontario's clean energy initiatives; clean energy benefits are benefits that accrue to both present and future electricity consumers

Specified Consumers

- A category of consumers that generally is comprised of residential consumers, small businesses and farms
- Includes consumers with a demand for electricity of 50 kW or less or those that use not more than 250,000 kWh of electricity annually

Rate Reduction Period

- **July 1, 2017 - April 30, 2018** - Specified Consumers charged an invoice amount that is 25%¹ less than the regulated rate that would otherwise have been determined by the OEB; the 25% reduction includes an 8% rebate equivalent to the provincial portion of the HST previously granted by the Ontario government
- **May 1, 2018 - April 30, 2019** - regulated rate established in the first year of the Rate Reduction Period anticipated to increase by the rate of inflation in Ontario
- **May 1, 2019 - April 30, 2021** - rate reductions will be established by future regulation but anticipated to increase by the rate of inflation in Ontario

¹ Based on a typical Toronto Hydro customer; the amount of the reduction for any given Specified Consumer may vary from this account.

Legislation Overview, cont'd

Regulatory Asset

- Each month the IESO determines the IESO deferral (the shortfall that results from the Fair Adjustment) and records this amount, together with the costs of financing the shortfall, in a variance account
- The IESO has the right to recover the balance recorded in the variance account from Specified Consumers (such right is the Regulatory Asset)
- The IESO may from time to time transfer a specified portion of the Regulatory Asset to the Trust for a cash purchase price equal to the corresponding amount recorded in the

Investment Asset

- The Trust is not obligated to purchase Regulatory Assets from the IESO
- If the IESO and the Trust agree to the transfer of a specified portion of the Regulatory Asset, such transfer results in the creation of a current and irrevocable property right that is immediately vested in the Trust (such right is an Investment Interest)
- By acquiring an Investment Interest, the Trust will be entitled to recover all of its associated financing costs and acquires the right to ~~impose, invoice,~~ collect, receive and recover CEAs from Specified Consumers in accordance with the Legislation

Moratorium Period

(July 1, 2017 to April 30, 2021)

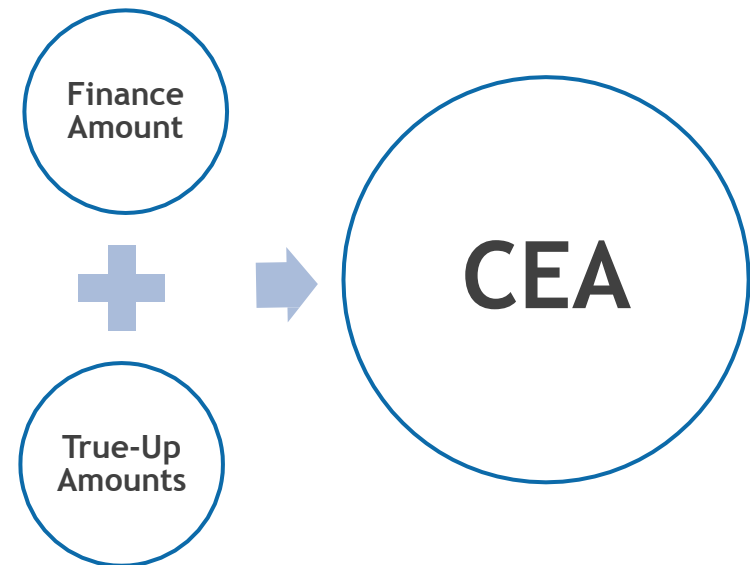
- CEAs are not permitted to be collected from Specified Consumers during this period
- The IESO is obligated to pay the Trust all Carrying Costs, excluding repayment of principal on any debt obligations, during the Moratorium Period and extending to July 31, 2021. The Carrying Costs incurred by the IESO will be added to its Regulatory Asset variance account pursuant to Regulations
- As security for the performance of its obligations, the IESO has granted the Trust a first-priority security interest in ~~all of~~ its accounts receivable owing by Electricity Vendors to the IESO
- The IESO has a \$2 billion general credit facility from the Ontario Financing Authority (OFA) which can be used among other things to ~~pay fund payments of~~ the Carrying Costs

Clean Energy Adjustments

- Under the FHPA, the CEA is the amount payable by Specified Consumers to cover the cost of the IESO deferral financing the shortfall from the Fair Adjustment and the associated costs of the financing, including payment of principal, operating costs of the Trust and funding of reserve accounts
- CEAs shown on an invoice issued to Specified Consumers represent the amount of the consumers' indebtedness and may not be set off or bypassed

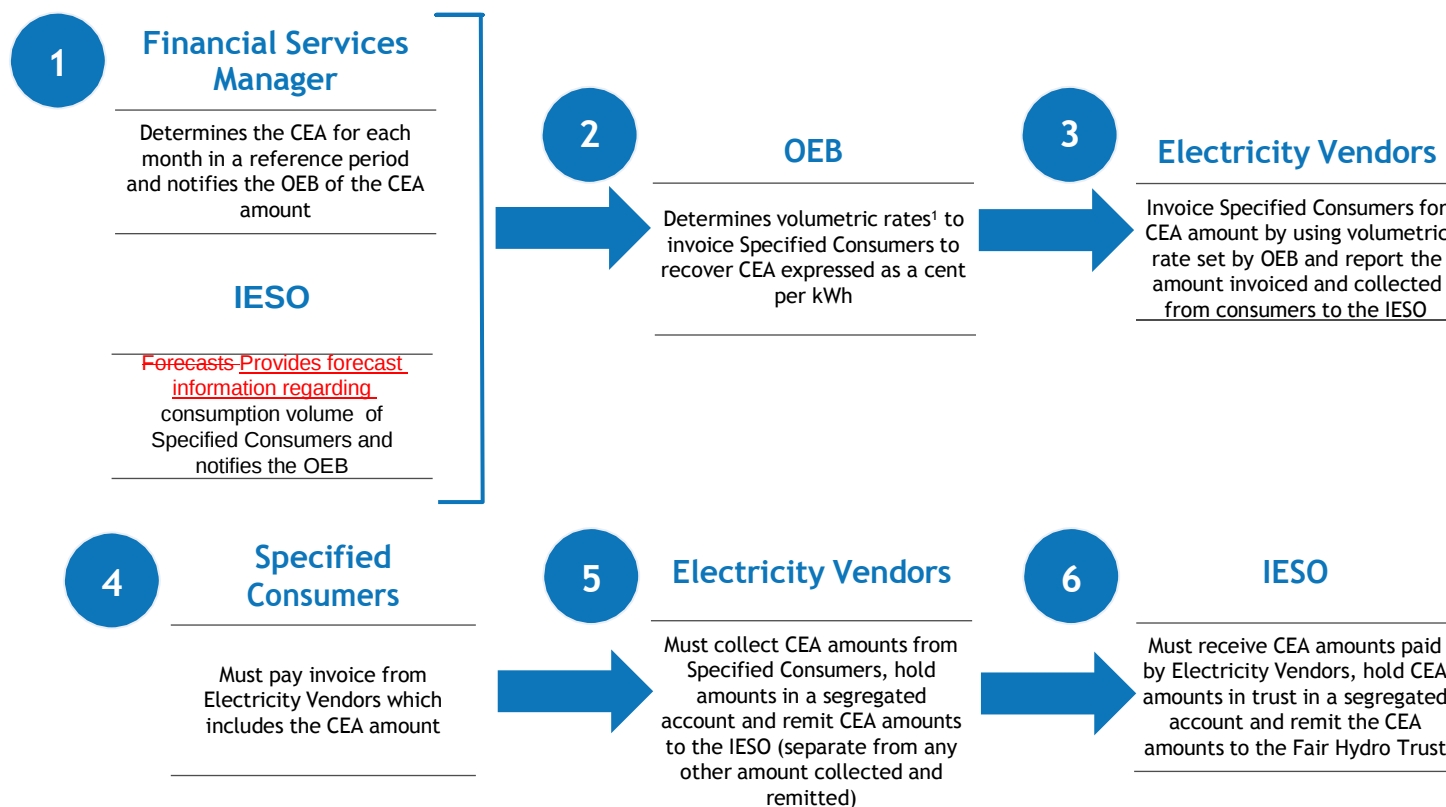
Finance amount is an estimate of the amount payable by the Trust mainly in respect of principal payments, interest costs, Trust expenses and taxes, reserve account deposits and derivative payments

True-up amounts capture the difference between the finance amounts incurred by the Trust and the CEAs collected from Specified Consumers and also include other reasonably foreseeable differences due to various factors (e.g. consumer defaults and delays, billing lags, write-offs and variations in electricity consumption)



Billing and Collection of CEAs

- CEA amounts for billing and collection purposes will be managed outside of the IESO's current settlement processes set out in the Market Rules for electricity invoice amounts
- Collection risk for CEA amounts are mitigated through statutory rights in the FHPA, the ~~collection~~ obligations of the IESO under the Master Transfer & Servicing Agreement (~~MTSA~~), and the ability to include amounts in the CEA by means of the into the true up mechanism
- IESO is ~~allowed to commingle~~ required to separate the CEAs during a monthly period before remitting to FHT. If the IESO's credit rating is downgraded below investment grade, ~~it will not be allowed to commingle CEAs and will remit~~ the IESO will be required to remit within two business days of receipt



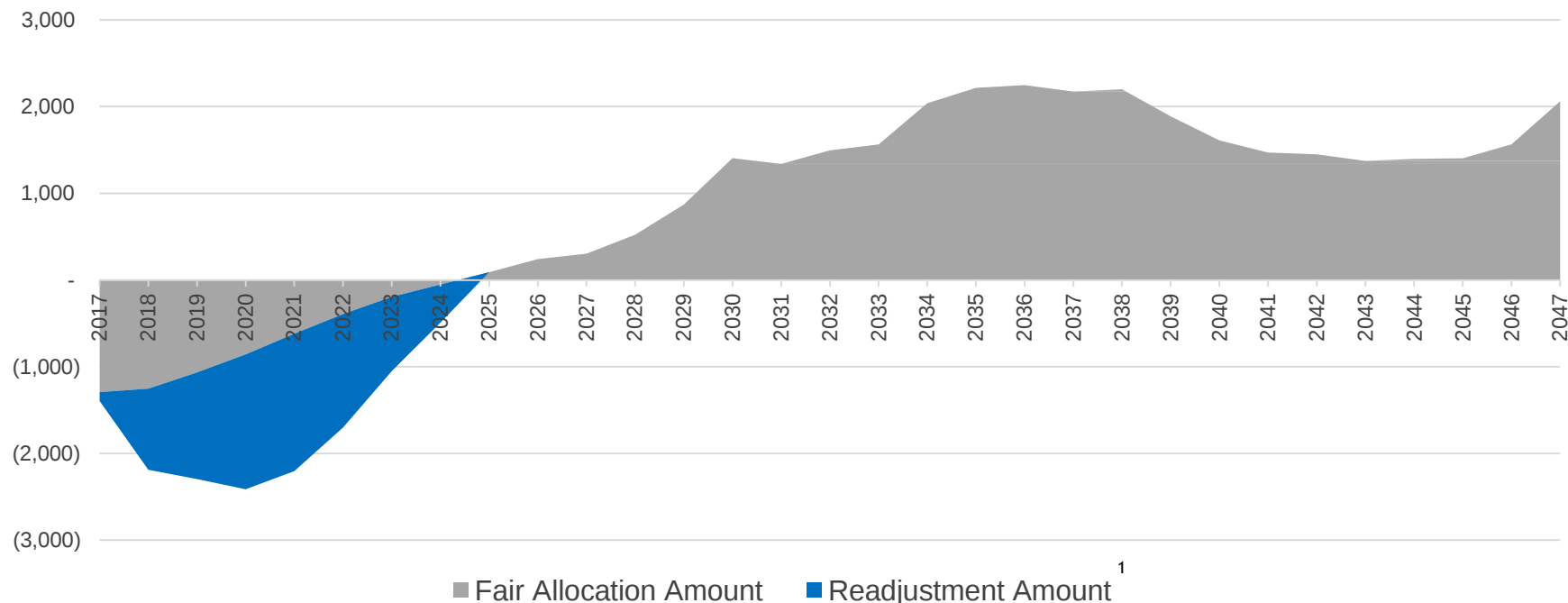
¹ The rates will be determined by dividing the CEA amount by the forecasted energy consumption in the reference period by Specified Consumers.

Fair Allocation Amount

Please refer to the updated Fair Allocation Amount slide in the clean version (slide 19) for updated commentary, graphs and footnote

- The Fair Allocation Amount (FAA) is the estimated clean energy costs reallocated on the basis of estimated clean energy benefits to Specified Consumers in respect of each reference period and includes operating and financing costs of the FHT
- If the FAA 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 FAA is expected to be negative until at least May 2024
- The Ministry of Energy may provide updated FAAs to OPG from time-to-time

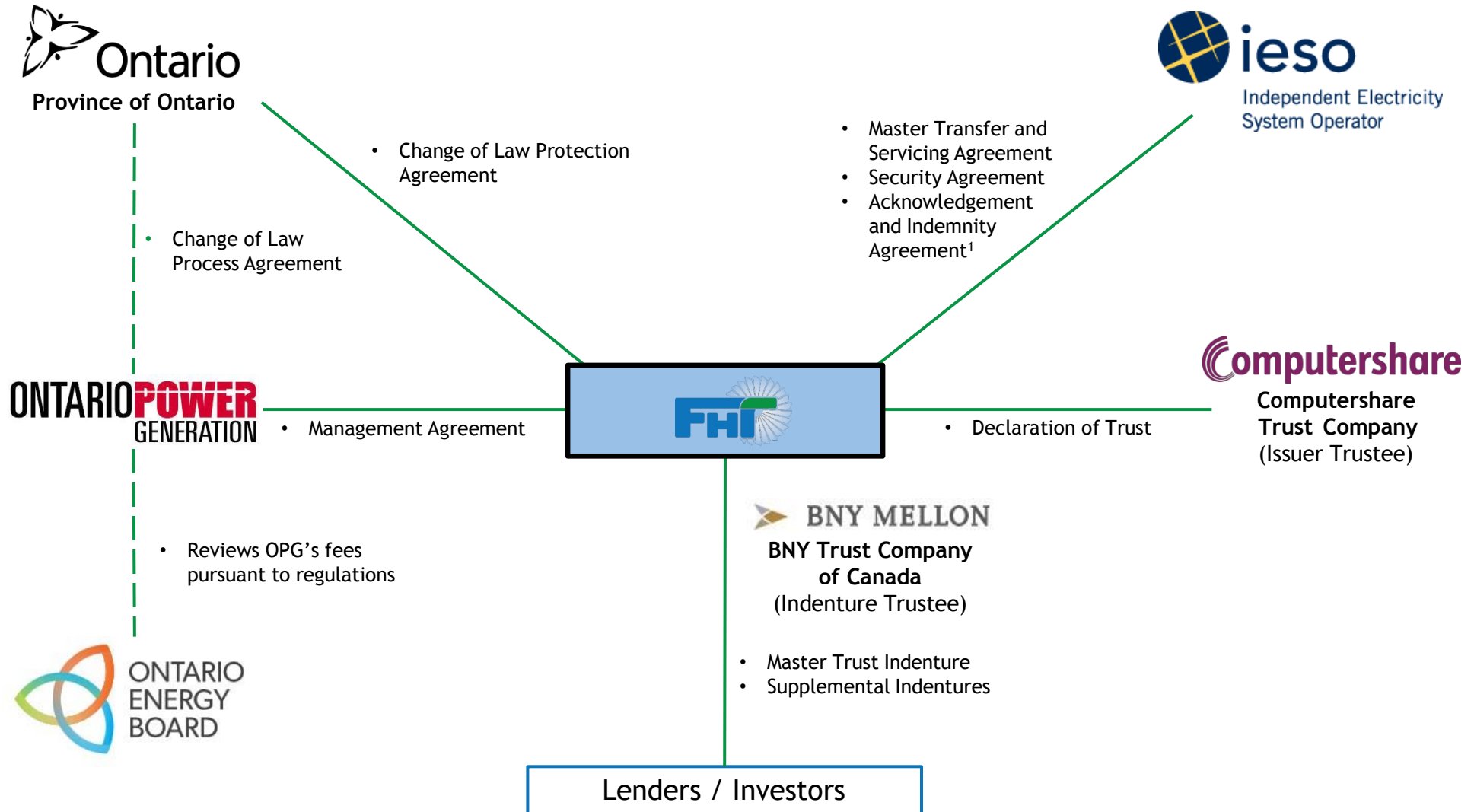
Fair Allocation Amount (\$ million)



¹ The Readjustment Amount represents the amounts by which Specified Consumers overpaid for clean energy initiatives in the past. It has been incorporated into the FAA to further reduce electricity bills for such consumers.

IV. Contractual Framework

Simplified Contractual Structure



¹ Agreement between IESO and Indenture Trustee.

Key Agreements

Note: Key Agreements were moved into the appendix and a "Contract Summary" slide was added to the clean version

Note: moved to Appendix

Change of Law Protection Agreement

Parties	(1) Province of Ontario and (2) Indenture Trustee as Trustee of the Issuer, on behalf of Specified Creditors¹, and (3) OPG as Financial Services Manager (FSM)
Purpose	Provides assurance to Specified Creditors that upon the occurrence of a Protection Event referred to below, the Province of Ontario will pay all Approved Obligations on behalf of the Trust, with limited rights of acceleration
Key Terms	Term: Continues for as long as any protected obligations of the Trust that are secured under the Master Trust Indenture (MTI) remain outstanding Mandatory Payment Limited Guarantee: Upon the occurrence of a Protection Event, the Indenture Trustee has the right to require the Province to pay all Approved Obligations when due and payable Priority of Payments: The priority <u>application</u> of <u>guarantee</u> payments is governed by the waterfall provision under the MTI Adherence Conditions: <u>For the Limited Guarantee to apply to an obligation of the Trust,</u> OPG as FSM is required to comply with certain conditions, including the delivery of an Adherence Compliance Certificate, prior to the <u>incurrence of such obligation (such obligation called an issuance of debt which is to benefit from the Change of Law Protection Agreement from the Province (such debt called</u> "Approved Obligations") Suspension Notice: The Province may deliver a suspension notice upon the occurrence of the acceleration of any indebtedness of the Trust <u>or other Program Breach</u> or a default in performance or misrepresentation by OPG as FSM pursuant to certain internal reporting and other requirements contained in a <u>C h a n g e o f L a w p</u>rocess <u>A</u>greement between OPG and the Province, <u>and A</u>ny new funding obligations that are incurred during a suspension period will not have the benefit of the <u>Change of Law Protection Agreement</u> <u>Limited Guarantee</u>, except that the Change of Law Protection Agreement applies to Post-Suspension Refinancing of previously issued Pre-Approved Refinancing

¹ Specified Creditors are any other Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

Key Agreements

Note: moved to Appendix

Change of Law Protection Agreement (cont'd)

Protection Events

The occurrence of any of the following events:

(1)

- The Legislature repeals (and does not replace on an equivalent basis) or amends the Act or any portion thereof as in effect on the date hereof
- The Legislature enacts or amends any other statute
- The Lieutenant Governor in Council repeals (and does not replace on an equivalent basis) the regulations made under the Act or any portion thereof as in effect on the date hereof
- The Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any “Regulation” (as defined in Part III of the Legislation Act, 2006) as in effect on the date hereof
- The implementation of a change in the organization or structure of the IESO or Ontario’s electricity market undertaken at the initiative of the Province or an entity controlled by the Province

in each case that adversely affects the ability of the Trust to pay its obligations when due and payable, taking into account any funds available in reserve accounts, any credit enhancement available and any reasonably expected potential effect of a true-up amount

(2)

- A court of competent jurisdiction determines that all or a portion of the Act or the regulations made under the Act, is *ultra vires* or invalid in a way that adversely affects the ability of the Trust to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable

Key Agreements (cont'd)

Note: moved to Appendix

Master Transfer and Servicing Agreement

Parties

- (1) IESO, as transferor and servicer; (2) Trust

Purpose

- Provides for the transfer, by the IESO to the Trust of the Regulatory Asset, and upon such transfer the Trust acquires an Investment Interest and describes the servicing obligations of IESO

Key Terms

- **Transfer of Regulatory Asset:** The IESO may offer, no more frequently than monthly, to transfer the specified portions of the Regulatory Asset to the Trust. The Trust has the right, but not the obligation, to accept IESO's offer
- **Servicing Duties:** The IESO will be responsible for servicing the Investment Interest under the legislationregulations, including collectingreceiving CEA amounts from Electricity Vendors and remitting the same to the Trust, including; other duties of the IESO include:
 - Establishing a segregated account for collecting CEAs and using commercially reasonable efforts to cause Electricity Vendors to do the same;
 - Collecting-Receiving CEAs from Electricity Vendors;
 - Remitting CEAs monthly to the Trust (unless downgraded below investment grade in which case it will remit daily);
 - Preparing monthly servicer reports; and
 - Providing a Fforecasting of electricity consumption of Specified Consumers
- **Moratorium Period:** During the Moratorium Period (until April 30, 2021) and extending to July 31, 2021, the IESO is required by regulation to fund all Carrying Costs of the Trust. The Carrying Costs incurred by the IESO will be added to its Regulatory Asset variance account pursuant to regulation.
- **IESO Letter of Credit:** After the Moratorium Period, the IESO will provide the Trust, a letter of credit or other form of security, as security for the commingling risk of CEAs collected by non-rated or non-investment grade rated Electricity Vendors and not yet remitted to the IESO

Key Agreements (cont'd)

Management Agreement

Note: moved to Appendix

Parties

- (1) Issuer Trustee, on behalf of the Trust, and (2) OPG, as Manager and acknowledged and accepted by the Indenture Trustee, on behalf of specified creditors

Purpose

- Issuer Trustee delegates to the Manager all powers and duties of managing the Trust

Key Terms

- **Duties Include:**
 - Negotiating and executing program agreements;
 - Preparing, in accordance with applicable securities laws, any offering documents to be furnished by the Trust to prospective purchasers of funding obligations;
 - Review or cause to be reviewed, records of electricity vendors on an annual basis with respect to CEAs (or less frequently in certain circumstances);
 - Preparing monthly portfolio reports;
 - Preparing financial statements; and
 - Paying taxes on behalf of the Trust
- **Incurrence of Funding Obligations:** Manager will determine how and when to incur funding obligations to acquire Investment Interests
- **Standard of Care:** Manager will perform its duties diligently and in conformity with the Trust's obligations under the program agreements
- **Resignation/ Termination:** Manager may not resign from its duties or terminate the Management Agreement as long as funding obligations of the Trust are outstanding
- **Management Fees:** OPG is entitled to charge the Issuer a fee to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer

Key Agreements (cont'd)

Other Key Agreements

Security Agreement

- As security for the performance of its obligations under the Regulation to pay the Trust's carrying cost during the Moratorium Period, IESO has granted the Trust a first priority security interest in all of its accounts receivable owing by Electricity Vendors

Acknowledgement and Indemnity Agreement (IESO)

- IESO, as servicer under the MTSA, acknowledges that a security interest has been granted to the Indenture Trustee thereby assigning as security the rights and benefits of the Issuer under the MTSA to the Indenture Trustee, including the right to enforce the indemnities provided to the issuer with respect to IESO's duties and obligations under the MTSA

Change of Law Process Agreement

- Outlines procedural requirements between the Province and OPG with respect to issuing debt that benefits from the Limited Guarantee under the Change of Law Protection Agreement
- Among other things, OPG is required to deliver to the Province a process certificate, outlining the material terms of proposed debt issues and confirm such debt offerings will not cause the protection agreement maximum (as

Declaration of Trust

- Establishes FHT to carry out activities for the exclusive benefit of its unitholders
- Specifies the rights and powers of the Issuer Trustee (Computershare)
- The Issuer Trustee has delegated all of the powers and duties of managing the Trust to OPG under the Management Agreement

Allocation of Servicing Role and Responsibilities

- The shared responsibilities of servicing and management roles are summarized below

	OPG	IESO	LDC
Review Records of LDCs with Respect to CEAs (annually or less frequently in certain circumstances)	✓		
Determination of CEA for a Reference Period, including the True-Up Amount	✓		
Ongoing Reporting for Trust and Reporting to the Rating Agencies	✓		
Management of Ongoing Debt Issuances	✓		
Cash Management	✓	✓	
Preparation of Monthly Servicer Reports		✓	
Remittance of CEA to IESO and to the Trust		✓	✓
Responding to inquiries by customers if practicable, or forwarding such inquiries to OPG		✓	✓
Customer Billing			✓
Customer Collections			✓
Customer Meter Reading			✓

V. Financing Program

Financing Plan / Strategy

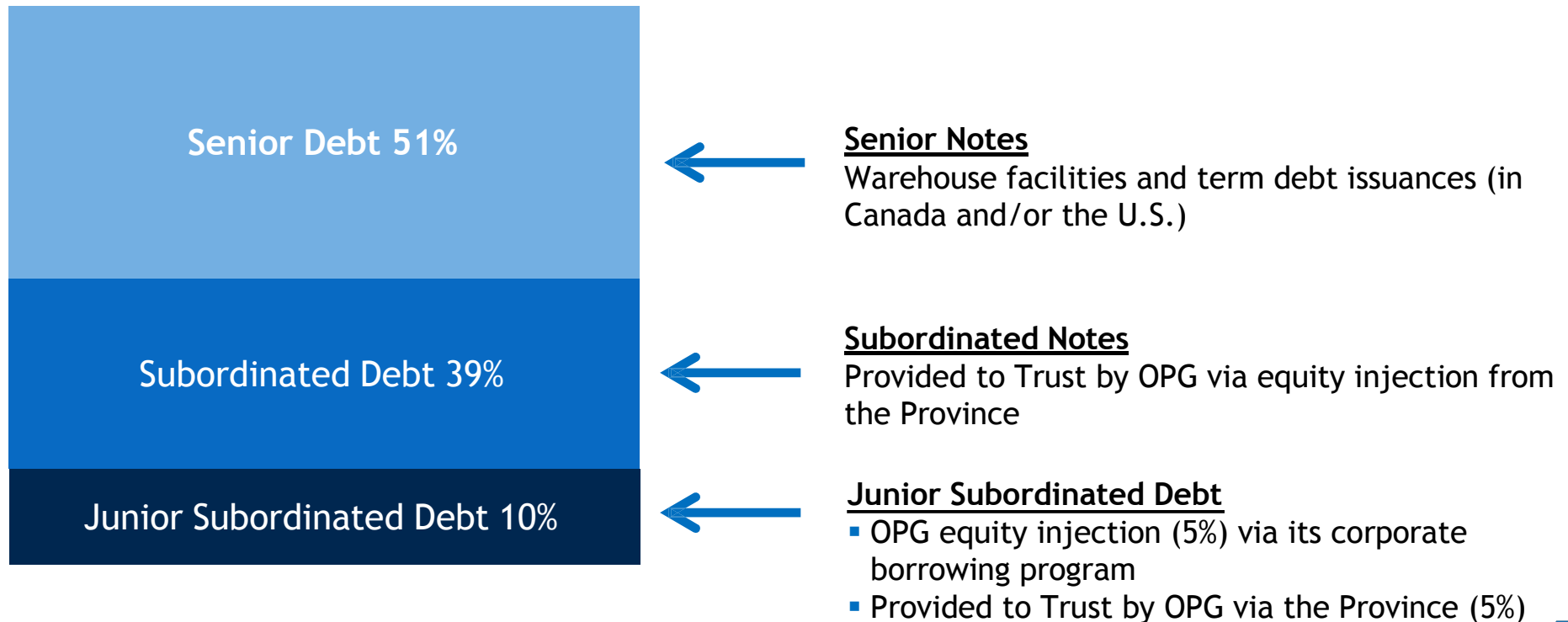
- OPG is responsible for administering the FHT financing program
- Given the size (~\$20 billion) and longevity (~10 years) of the FHT financing program, the funding strategy has been designed to provide flexibility
- Warehouse financing (ABCP conduit and bank funded senior debt) and ~~subordinated~~ subordinated warehouse debt and junior subordinated warehouse debt funded by OPG will be used to fund monthly Regulatory Asset purchases from the IESO
 - Periodically refinance the warehouse facility through the issuance of term debt (likely access the market 2-3 times per year)
- Term debt can take the form of bullet bonds or could be issued as amortizing bonds

Warehouse Financing	• ABCP conduit and bank funded <u>senior debt</u> with subordinated debt funded by OPG will be used <u>by the Trust</u> to fund monthly Regulatory Asset purchases from the IESO
Term Debt	• Term debt issuances will be used to refinance warehouse financing and the subordinated debt and junior subordinated debt funded by OPG • Both Canadian term debt and U.S. term debt market will be considered • <u>Maturity profiles will be structured to ensure reasonable alignment with the FAA (bullet bonds with sinking funds or amortizing bonds)</u> • <u>FHT may issue debt that may be refinanced in the future</u>
Subordinated Debt	• Subordinated debt provides credit enhancement for senior debt (ranks behind senior debt in cash flow waterfall)



Financing Structure

- The Trust will fund Regulatory Asset purchases through the issuance of senior, subordinated and junior subordinated secured debt
- Senior debt (51%) will be sourced monthly from committed warehouse facilities, and the periodic issuance of term debt
- Subordinated debt (49% anticipated; minimum of 35% required¹) will be purchased by OPG, primarily funded by equity injections from the Province (44% of 49%) and the remaining portion from OPG (5% of 49%)

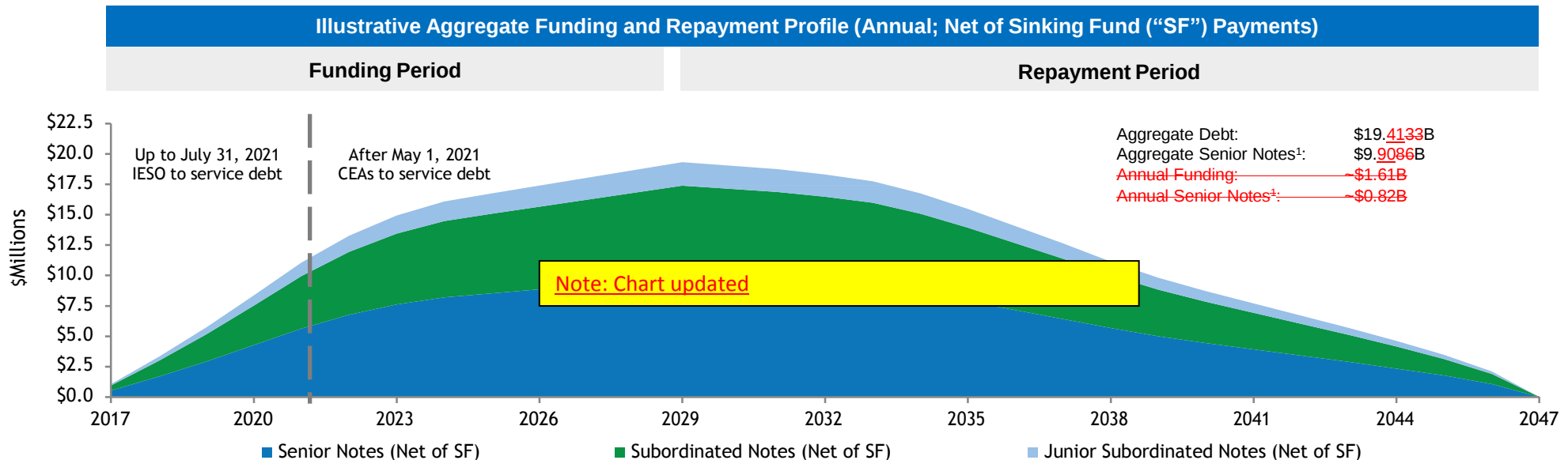


¹ Under the MTI, FHT is required at all times to ensure that all outstanding subordinated and junior subordinated debt be not less than 35% of all outstanding debt.
Note: Assumes 49% Subordinated Debt.

Aggregate Financing Program

Illustrative Debt Summary - Funding & Repayment Period (Annual)

- Based on the Fair Allocation Amount and the Province's electricity bill reduction targets, the following debt profile for the program is expected, peaking at just under \$20 billion by 2029
- Various tranches of debt will be issued periodically during the period of 2018 - 2028, which are expected to mature over a period after 2029



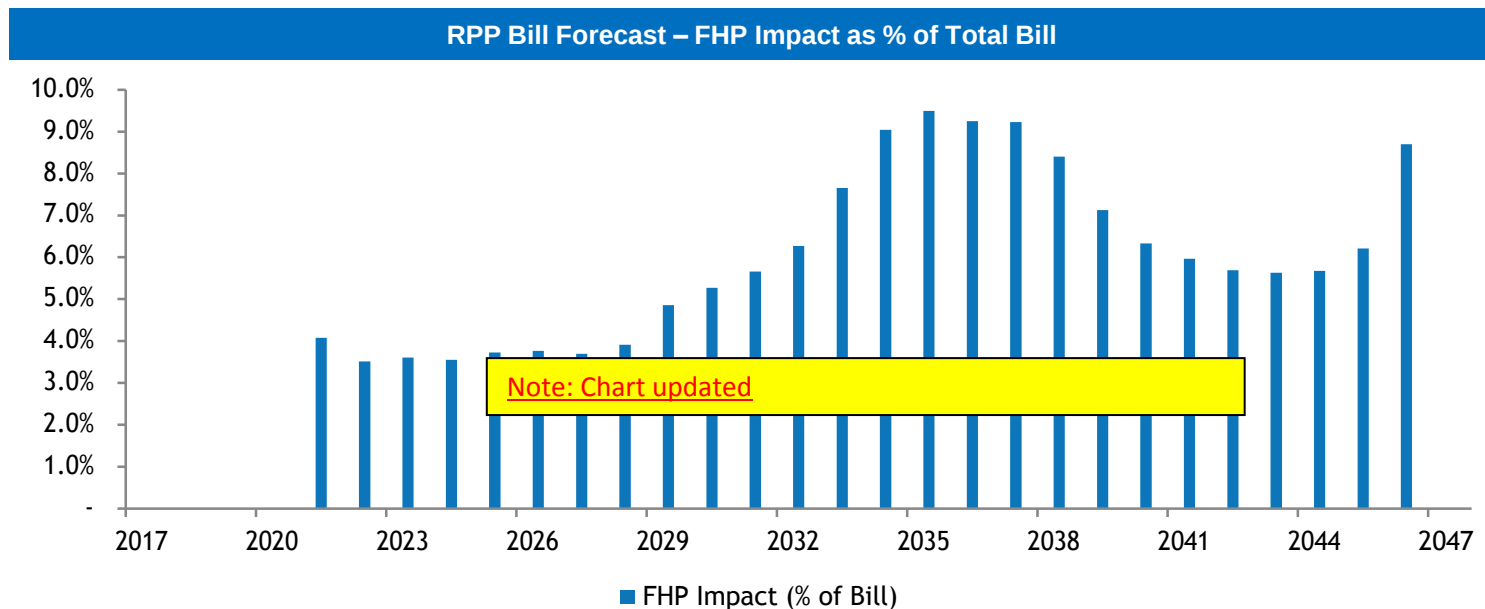
¹ Assumes 51% Senior Notes

Note: During the Moratorium Period and extending three additional months to July 31, 2021, the IESO is required under the Regulations to pay all Carrying Costs. The additional three month period is intended to cover the billing and collection lag from the introduction of Clean Energy Adjustments in May 2021.

Consumer Bill Forecast with FHP

RPP Bill Forecast - FHP Impact % of Total Bill (C\$ per Month)

- Over the duration of the Fair Hydro Program, the CEA for the average residential customer is anticipated to remain below 10% of the total electricity bill
- Max CEA as a percent of the total bill is forecast to be 10.04%
- Average CEA as a percent of the total bill is forecast to be 6.9%



Capital Markets Platform

Master Trust Indenture

Parties

- (1) Computershare Trust Company (Issuer Trustee), on behalf of the Trust, acting through OPG as the Manager; (2) BNY Trust Company (Indenture Trustee) on behalf of Specified Creditors

Purpose

- Governs the terms of the debt issued by FHT and cash flow waterfall and collateral structure for all Trust obligations to all Specified Creditors

Key Terms

Incurrence of Funding Obligations

- Trust may incur funding obligations under a variety of instruments including:
 - Note issuances under supplemental indentures
 - Borrowings under credit agreements
 - Purchase of notes under note purchase agreements
 - Letters of Credit/Guarantees under credit enhancement agreements
 - Liquidity loans under liquidity agreements backing short term notes

Conditions Precedent

- Prior to incurring additional funding obligations, the Trust confirms to the Indenture Trustee and each rating agency that:
 - the incurrence of such additional obligations will not cause an adverse effect
 - the incurrence of such additional obligations is materially consistent with the Financing Plan
- It will also be a condition precedent that (i) each rating agency confirm that the issuance of such additional funding obligations will not result in a reduction or withdrawal of any existing ratings of outstanding funding obligations and (ii) the Indenture Trustee has received certain assurances as to the applicability of the Change of Law Protection Agreement to such funding obligations

Capital Markets Platform

Master Trust Indenture - Key Terms (cont'd)

Security

- Granted over all assets of the Trust, including the Trust's investment interest, all collections under the MTSA and all accounts

Subordination

- Provides for three different classes of funding obligations
 - (i) senior
 - (ii) subordinated
 - (iii) junior subordinated

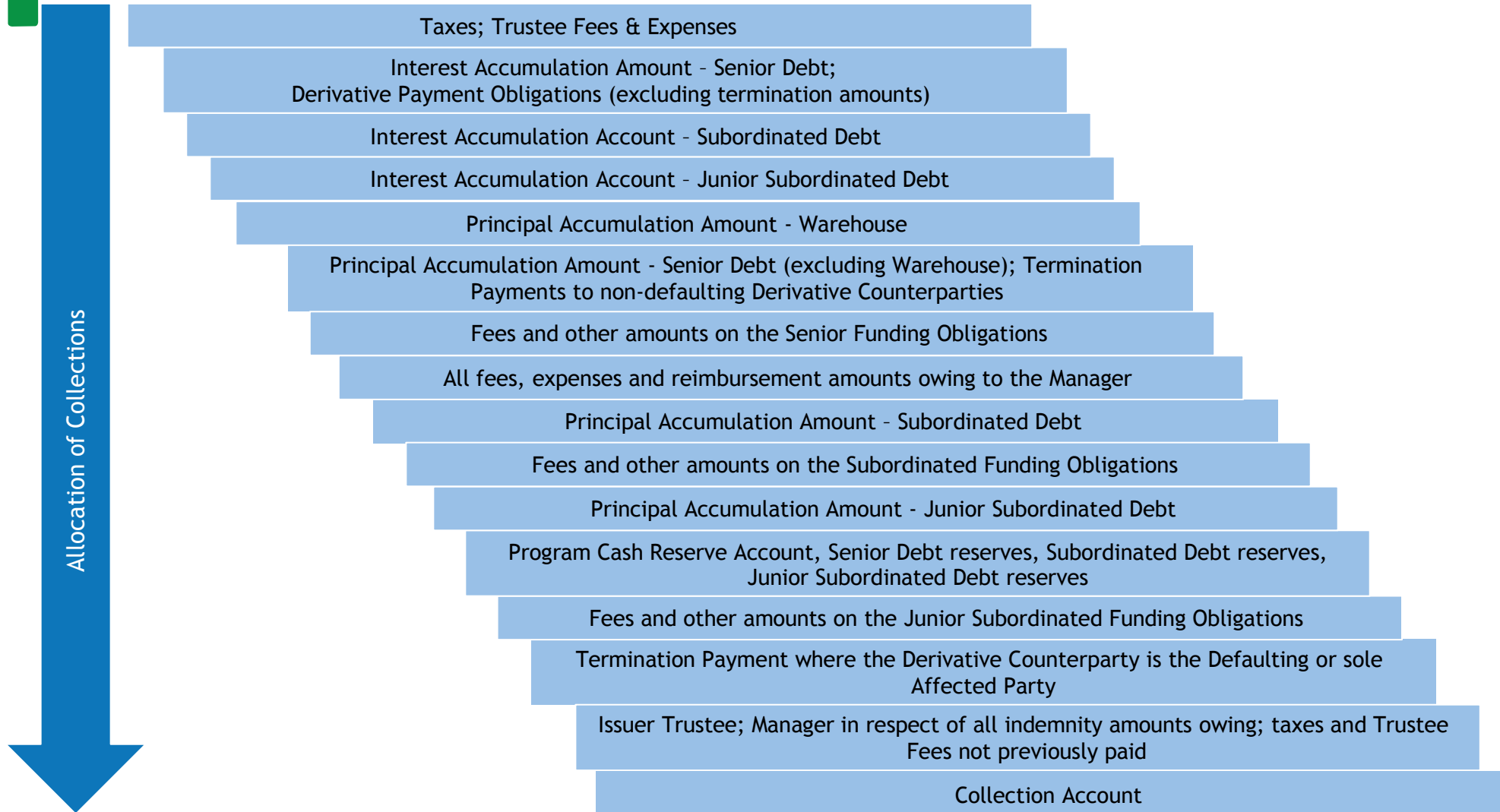
Events of Default

- Include payment defaults, representation and covenant breaches, insolvency and Change of Law Protection Agreement ceasing to be in full force and effect against the Province

Acceleration

- Upon an acceleration, CEAs may be insufficient to repay all amounts becoming due in a period. CEAs for a period will be capped CEAs cannot be increased to the level required to immediately repay all outstanding principal following acceleration. The increase in CEAs is limited under the Regulation at the otherwise scheduled amounts, plus an additional amount if the aggregate of those otherwise scheduled amounts would be less than to the amount available per the FAA for the period
- However, the amounts received from CEAs after an acceleration will be allocated to pay senior indebtedness before principal amounts owing on subordinated and junior subordinated indebtedness. CEAs are allocated to paying the senior indebtedness first. Accordingly, the subordination of debt across all series of debt ~~would~~ should advance the repayment of the principal amount for senior funding obligations
- After an acceleration, all Senior Term Notes will be paid parri-passu

Waterfall



Note: This waterfall indicates the priority of payment prior to an Event of Default and acceleration; additional information on the priority of payments after an Event of Default and acceleration can be found in the Offering Memorandum.

Note: After paying interest on the senior debt, no interest payments will be made on the subordinated debt unless there will be sufficient amounts remaining in the Interest Accumulation Account for what should be accumulated for the Senior Notes after making such payments.

VI. Summary of Offering

Summary of Indicative Terms

Note: Please refer to the updated summary in the clean version (slide 36) due to formatting issue with the blackline.
Moved after Risk Mitigants.

	<u>Class</u>	<u>Maturity</u>	<u>Principal Payment</u>	<u>Rating</u> (DBRS / Moody's)
Initial Fair Hydro Term Issuance	Senior Term Notes	\$1 mm	1%	AAA (sf) / Aa2 (sf)
	Subordinated Notes	\$[] mm (Not Offered)	[]%	[]
Issuer	Fair Hydro Trust, a single purpose, bankruptcy-remote wholly-owned subsidiary of the Financial Services Manager			
Financial Services Manager	Ontario Power Generation, Inc.			
Servicer	Independent Electricity System Operator			
Source of Repayment	- Moratorium Period: Statutorily mandated remittances from IESO (Up to July 31, 2021) - Post Moratorium Period: Non-bypassable charge from residential and commercial customers in Ontario, related collections and reserve accounts (After May 1, 2021)			
Principal Accumulation Date(s) and Principal Accumulation Amount(s):	<u>Principal Accumulation Date</u> ●, 20●			
	<u>Principal Accumulation Amount</u> \$●			
Payment Frequency	Semi-annual			
Interest	Fixed rate			
Senior Note Credit Enhancements	- Semi-annual (or more frequent) True-up - Reserve Account - Subordination			
Program Cash Reserve Account	After Moratorium period, an amount equal to 0.50% of the aggregate amount of all outstanding Senior, Subordinated and Junior Subordinated funding obligations			
True-up	Calculated on at least a semi-annual basis post-moratorium period			
Subordination	Subordinated and Junior Subordinated Notes will be retained by OPG			
Additional Issuance	Master Trust Indenture allows for the issuance of additional notes subject to satisfaction of Rating Agency Condition			

VII. Key Risks and Mitigants

Risk Mitigation

Risk	Description of Risk	Mitigants
Political Risk	Future legislative action to change or challenge/invalidate the Act or the Change of Law Protection Agreement might materially adversely affect a holder's investment in the Notes	Limited Guarantee provided by the Province of Ontario via the Change of Law Protection Agreement in favour of <u>the Indenture Trustee for lenders/investors in these circumstances</u>
Under Collection	If the IESO inaccurately forecasts electricity consumption or if OPG uses inaccurate consumer delinquency or write-off data when setting the CEA, there could be a shortfall in collections, which might result in missed or delayed payments of principal and interest on the Notes	- True up mechanism may result in a delay, but will be corrected in next True up - Cash reserve and 35%-49% subordination which would first absorb any shortfalls 6-month reference period - Any shortfall in collections are recoverable from all Specified Consumers
Reliance on IESO and LDCs	- During the Moratorium Period, the Trust is dependent on the IESO <u>to remit payments to the Trust for all Carrying Costs</u> to pay for all Carrying Costs - Receipt of CEAs dependent on the performance of LDCs and IESO - Limited ability to enforce against or replace an LDC	- Highly regulated industry and LDC and IESO are required under law and regulation to perform duties under FHP - IESO has a very strong credit profile and very low losses and grants security over all of its accounts receivables <u>owed by Electricity Vendors</u> as security during the Moratorium Period - IESO will provide a letter of credit/other security <u>to mitigate commingling risks for CEAs held for the commingling of CEAs</u> by non-rated or below investment grade rated LDCs until they are remitted to IESO - LDCs collect security deposits and, when permitted, have the ability to disconnect service for non-payment \$2 billion general credit facility from the OFA which can be used <u>by the IESO</u> to pay the Carrying Costs
Size of Charge vs. Bill	If the charge applied to bills becomes too high, there could be a consumer and/or political backlash	20-year repayment period allows for gradual rate increases - Max CEAs as a percent of the total bill <u>over collection period</u> is forecast to be ~10%
Disruptive Technology Risk / Change in Demographics	- Technological developments may result in reduced CEA payments as a result of increased use of alternative energy sources - Population fluctuations may result in fewer Specified Consumers	- True-up mechanism available to offset the reduction in CEAs due to technological advancements or fluctuations in the number of Specified Consumers - Collection shortfalls are allocated among a large base of Specified Consumers

VIII. Investment Highlights

Investment Highlights

- ✓ Protection against political risk through the Change of Law Protection Agreement
- ✓ Irrevocable & non-bypassable rate payer charge, recoverable from Specified Consumers across the Province of Ontario
- ✓ Repayment risk spread across all Specified Consumers. Full cross-collateralization; collection shortfalls allocated among all Specified Consumers ~~(Joint and Several Liability)~~
- ✓ ~~Enhanced~~ Robust true-up mechanism
- ✓ Credit enhancement for senior debt provided via subordinated debt
- ✓ Highly regulated market with experienced operating agents (OPG, IESO, and LDCs)
- ✓ Strong ~~ratepayer base in Ontario~~ service territory
- ✓ ~~No large user industrial risk exposure~~