From:	Schlaepfer, Martin (ENERGY)
To:	Anna Strathy
Cc:	David McLean (MOF)
Subject:	FHP Trust Offering
Date:	Tuesday, February 06, 2018 2:14:23 PM

Hi Anna,

OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

They are claiming this 92 bps over GOC. Can you confirm if this is correct or if it is a different number?

Thanks,
Martin

Martin Schlaepfer
Director of Operations
Deputy Minister's Office
Ministry of Energy
T: 416-326-7688
M: 647-980-4634
E: martin.schlaepfer@ontario.ca

From:	Hanslep, Malle (MOF)
To:	Anna Strathy
Cc:	Tobias P. Whitfield (MOF); Ken Kandeepan
Subject:	FHP issuance dated April 24, 2018
Date:	Wednesday, May 30, 2018 11:35:51 AM

Hi Anna,

We received the process certificated for the issue of notes dated April 24, 2018:

- C$400,000,000 3.52% Senior Notes due May 15, 2038 Series 2018-2
- C$305,884,000 3.834% Sub Notes due May 15, 2038
- C$78,431,000 4.214% Junior Sub Notes Due May 15, 2038

But we haven't received copies of the closing documents (on a USB) for these issues and wondered if you have received anything. Usually we get these from the Deputy's office as they are delivered to the DM and Minister.

Thanks,

Malle

Malle Hanslep
Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

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From:	Carlos Yep
To:	Mike Manning; Gadi Mayman
Cc:	Anna Strathy; Sarah Neville; Malle Hanslep (MOF); Tobias P. Whitfield (MOF)
Subject:	FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt
Date:	Friday, December 15, 2017 3:45:05 PM

Hi Mike
Can we discuss on Monday?

I spoke to MoE earlier today – They did not see why they should be part of the protocol but as a compromise are comfortable to sign the document as part of receipt and acknowledgement. MoE has not had any input in to the operational part of calculating or describing the process to arrive at the spread. They have been concentrating efforts on broader policy issues.

Thanks
Carlos

From: MCAULEY Tyler -LAWDIV [mailto:tyler.mcauley@opg.com]
Sent: Friday, December 15, 2017 3:30 PM
To: Sawwaf, Khareem (ENERGY) <Khareem.Sawwaf@ontario.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; LIU Sheen -TREASURY <sheen.liu@opg.com>; LEE John -TREASURY <john.s.lee@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Khareem/ Carlos,

The approach proposed below is not in line with what was agreed between John Lee and Gadi. It's our expectation that the document will be agreed as between two parties (as opposed to receipt acknowledged). Could you please consult with your team and advise. If it's helpful, we are happy to coordinate a call to discuss.

Regards,

Tyler McAuley
Senior Counsel, Law Division

Ontario Power Generation
700 University Avenue, H18 G23
Toronto, ON, M5G 1X6
E: tyler.mcauley@opg.com
P: 416-592-4015

From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]

Sent: Friday, December 15, 2017 1:54 PM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>
Cc: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Further to our discussion this morning, OFA and the Ministry of Energy agreed that the best way to proceed will be acknowledging the Protocol Agreement in a manner of receipt. The following language will be included under the signature lines:

"On behalf of the OFA ,I acknowledge receipt of this document,

On behalf of the Ministry of Energy, I acknowledge receipt of this document,"

Kind regards,
Khareem Sawwaf

From: Sawwaf, Khareem (ENERGY)
Sent: December-14-17 12:49 PM
To: 'WONG Leslie -LAWDIV'
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

We can call you.

Khareem

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: December-14-17 12:19 PM
To: Sawwaf, Khareem (ENERGY); Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Thanks. Would you be calling my office, or would like us to call you? Or will we need a call-in number?

From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]
Sent: Thursday, December 14, 2017 12:18 PM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; Thouin, Alena (ENERGY)

<Alena.Thouin@ontario.ca>
Cc: MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; Kulasinghe, Meineka (MEDG/MRIS) <Meineka.Kulasinghe@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Thank you for your prompt response.

5pm should be fine.

Khareem

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: December-14-17 12:11 PM
To: Sawwaf, Khareem (ENERGY); Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Yes, after 5 pm works. Let us know what time (e.g. 5 pm or 5:30).

From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]
Sent: Thursday, December 14, 2017 12:10 PM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Cc: MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; Kulasinghe, Meineka (MEDG/MRIS) <Meineka.Kulasinghe@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Can we schedule something for today after 5pm?

Regards,
Khareem

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: December-14-17 11:59 AM
To: Sawwaf, Khareem (ENERGY); Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Khareem,

We will need to address any questions today, as we are arranging for signing of the Fair Hydro documents tomorrow. Tyler and I are available today between 12:30 pm and 1 pm and from 4:30 pm onward.

Let us know what works for you.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 **|** E: leslie.wong@opg.com

From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]
Sent: Thursday, December 14, 2017 11:52 AM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Cc: MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; Kulasinghe, Meineka (MEDG/MRIS) <Meineka.Kulasinghe@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

I hope all is well.

Alena and I were hoping to have another discussion with you either today or tomorrow regarding the protocol agreement. If you could let us know your availability, I would appreciate it.

Thanks,
Khareem

From: Sawwaf, Khareem (ENERGY)
Sent: December-06-17 3:48 PM
To: WONG Leslie -LAWDIV; Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)

Subject: Re: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Do you mind if we push our meeting to 4:30? I hope that works for you and Tyler.

Look forward to your reply.

Kind regards,
Khareem Sawwaf

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: WONG Leslie -LAWDIV
Sent: Wednesday, December 6, 2017 11:10 AM
To: Sawwaf, Khareem (ENERGY); Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Khareem,

My colleague, Tyler McAuley, who drafted the agreement, and I are available for a call from 4:00-4:30. Would you like us to call you or Alena, or would you like to call us?

Also, if you had specific comments or questions, would it be possible to let us know in advance, to make the call more efficient? Thanks.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 **|** E: leslie.wong@opg.com

-----Original Message-----
From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]
Sent: Wednesday, December 06, 2017 11:00 AM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>

Cc: MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; Kulasinghe, Meineka (MEDG/MRIS) <Meineka.Kulasinghe@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Alena and I were hoping to arrange a call with you later today to discuss the Protocol Agreement. Are you available for a 30 minute call sometime between 4-5, preferably 4:00-4:30?

I look forward to your reply.

Kind regards,
Khareem Sawwaf

-----Original Message-----
From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: December-04-17 1:17 PM
To: Thouin, Alena (ENERGY)
Cc: Sawwaf, Khareem (ENERGY); MCAULEY Tyler -LAWDIV
Subject: Re: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Alena - I am available at 5:15. My colleague, Tyler McAuley, who worked in the agreement, will also be available for a call then.

Let us know your preference on call logistics (who to call whom, or whether a call-in number would be preferable).

Regards,

Les

Sent from my BlackBerry 10 smartphone on the Bell network.
From: Thouin, Alena (ENERGY)
Sent: Monday, December 4, 2017 12:49 PM
To: WONG Leslie -LAWDIV
Cc: Sawwaf, Khareem (ENERGY)
Subject: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. *** _____

Hi Les
Hope you are well
I was hoping we can have a quick call on this (legal only at this point), just had some questions. I am around after 5:15 today?

Thanks
Alena

Alena Thouin
Deputy Director, Legal Services Branch
Ministries of Energy / Infrastructure / Economic Development & Growth / Research, Innovation & Science / Accessibility
56 Wellesley St. W. 18th Floor, Toronto, ON M7A 2E7
Tel: 416-325-1834 Email: alena.thouin@ontario.ca<mailto:alena.thouin@ontario.ca>

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From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: November 30, 2017 12:16 PM
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF)
Cc: LEE John -TREASURY; LIU Sheen -TREASURY; MCAULEY Tyler -LAWDIV; RYFA Ken -TREASURY; PRESTON Stuart -TREASURY
Subject: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Dear Alena and Malle,

Please find attached a draft of the protocol agreement relating to the determination of interest rates on the subordinated and junior subordinated debt to be issued to OPG by the Fair Hydro Trust. Most of this debt will be funded through equity injections by the Province into OPG. OPG's Treasury team has been working with Carlos Yep of the OFA on this agreement. I understand that Alena has previously seen a term sheet setting out the main terms of the agreement.

Let us know if you have any questions or comments on the draft.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com<mailto:leslie.wong@opg.com>

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From: Anna Strathy
To: Mike Manning
Cc: Ken Kandeepan; Gadi Mayman
Subject: FW: FHP Trust Offering
Date: Tuesday, February 06, 2018 2:15:35 PM

Hi Mike,

Please see question below from the Ministry of Energy (Deputy's EA). Could you please confirm?

Thanks, Anna

From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Tuesday, February 06, 2018 2:14 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>
Subject: FHP Trust Offering

Hi Anna,

OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

They are claiming this 92 bps over GOC. Can you confirm if this is correct or if it is a different number?

Thanks,
Martin

Martin Schlaepfer
Director of Operations
Deputy Minister's Office
Ministry of Energy
T: 416-326-7688
M: 647-980-4634
E: martin.schlaepfer@ontario.ca

From: Anna Strathy
To: Mike Manning
Cc: Ken Kandeepan; Gadi Mayman
Subject: FW: FHP Trust Offering
Date: Tuesday, February 06, 2018 2:20:01 PM

Hi Mike – a follow-up question from the Energy DMO (although I understand you may have already clarified all this for Serge over the phone via Gadi – but the EA may want it in an email).

Thanks, Anna

From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Tuesday, February 06, 2018 2:19 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>
Subject: RE: FHP Trust Offering

Sorry. Just to clarify it would als be helpful to know how many basis points this is over provincial borrowing rates.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: February 6, 2018 2:14 PM
To: Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca>
Cc: McLean, David (MOF) <David.McLean@ontario.ca>
Subject: FHP Trust Offering

Hi Anna,

OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

They are claiming this 92 bps over GOC. Can you confirm if this is correct or if it is a different number?

Thanks,
Martin

Martin Schlaepfer
Director of Operations
Deputy Minister's Office
Ministry of Energy
T: 416-326-7688
M: 647-980-4634
E: martin.schlaepfer@ontario.ca

To:	Opal Kandelas
Subject:	FW: FHP issuance dated April 24, 2018
Date:	Wednesday, May 30, 2018 11:56:07 AM

Hi Opal, you may recall that

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 30, 2018 11:54 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: FHP issuance dated April 24, 2018

Hi Anna,

I am checking with Torys and will let you know.

Thanks,

Malle

From: Strathy, Anna (OFA) [mailto:Anna.Strathy@ofina.on.ca]
Sent: May 30, 2018 11:45 AM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA)
Subject: RE: FHP issuance dated April 24, 2018

Hi Malle,

When would the closing documents have been completed? April 24?

Anna

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 30, 2018 11:36 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FHP issuance dated April 24, 2018

Hi Anna,

We received the process certificated for the issue of notes dated April 24, 2018:

- C$400,000,000 3.52% Senior Notes due May 15, 2038 Series 2018-2
- C$305,884,000 3.834% Sub Notes due May 15, 2038
- C$78,431,000 4.214% Junior Sub Notes Due May 15, 2038

But we haven't received copies of the closing documents (on a USB) for these issues and

wondered if you have received anything. Usually we get these from the Deputy's office as they are delivered to the DM and Minister.

Thanks,

Malle

Malle Hanslep
Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

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From:	Gadi Mayman
To:	Bonnie Lemcke; Mike Manning; Carlos Yep
Cc:	Anna Strathy
Subject:	FW: FHT - Rating Presentation
Date:	Thursday, July 06, 2017 12:53:54 PM
Attachments:	Rating Agency Presentation July_5 r1.pptx

From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: Thursday, July 06, 2017 12:51 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: FHT - Rating Presentation

Fyi – I have shared with Energy as well.

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: July 5, 2017 7:26 PM
To: Nelms, Scott (MOF)
Cc: HARTWICK Ken -FINANCE; CROZZOLI Carlo -CBUSDEV&STRT; RYFA Ken -TREASURY
Subject: FHT - Rating Presentation

Scott:

As requested attached is the Rating presentation which we intend to use to solicit "soft" feedback from each Rating agency. A fulsome deck will be provided once they have been formally engaged. Our first meeting will be with DBRS tomorrow afternoon.

Please forward to both Andrew and Serge who I believe had expressed some interest in seeing the package.

John

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Fair Hydro Plan Financing Program

Rating Agency Presentation

July 6, 2017






ONTARIO POWER GENERATION

CIBC Goldman Sachs RBC RBC Capital Markets

Table of Contents

I. Ontario Electricity Market
II. Fair Hydro Plan
III. Financing Strategy
IV. Transaction Structure

Executive Summary

Purpose

- To provide high-level overview of what is being contemplated by Ontario's Fair Hydro Plan and related financing
- This presentation is based on the legislation and regulations in place and anticipated contractual arrangements
- To explore both securitization and traditional structured corporate bond ratings
  - Various financing alternatives are being explored, most of which have potential rating agency involvement
- To set expectations for timing and process

Brief Overview

- On March 2, 2017 Ontario announced its Fair Hydro Plan which proposes to lower the average residential electricity bill by 25%
  - 25% reduction includes the 8% rebate introduced in January 2017 as part of the Ontario Rebate for Electricity Consumers Act, 2016
  - The 25% reduction is expected to be in effect until 2021 (approximately 4 years) although bills may be allowed to increase by the rate of inflation
- The 17% incremental reduction as part of the Fair Hydro Plan will be recorded as a regulatory deferred asset for future recovery
  - The recovery period depends on the final fair allocation but is expected to begin in 2027 with a hard stop in 2047
- The exact quantum and duration of the program is still being developed, but the deferral is expected to amount to ~C$2.5bn / year
  - It is expected that 50+% of the financing will be derived from the capital markets
- Legislation to effect the recovery right was enacted in early June, and the regulations were largely completed at the end of June
  - Legislation and regulations were designed with capital market financing objectives in mind
  - Careful consideration given to possible structural enhancements with respect to creating the regulatory asset, assignability, achieving a true-sale opinion, being non-bypassable and including a true up mechanism to ensure repayment

Ratings Objectives

- Initially we are reaching-out to better understand what methodologies you will apply to this program / structure
- Ultimately, we will be pursuing some combination of ABCP conduit rating confirmation, and/or explicit long-term ratings for the credit facility, term debt and sub-debt

Transaction Parties

Issuer	Fair Hydro Trust (“FHT”)	
Advisors	CIBC, Goldman Sachs, RBC	
Financial Services Manager	Ontario Power Generation (“OPG”) is 100% owned by the Province of Ontario (the “Province”)	A low (DBRS), BBB+ (S&P)
Servicer	Independent Electricity System Operator (“IESO”)	A high (DBRS), Aa2 (Moody’s)
Provincial Rate Authority	Ontario Energy Board (“OEB”)	
Guarantor	Province of Ontario (the “Province”)	AA low (DBRS), AA- (Fitch), Aa2 (Moody’s), A+ (S&P)
Issuer’s Counsel	Torys LLP (Canada), Hunton & Williams LLP (U.S.)	
Advisor’s Counsel	Osler, Hoskin & Harcourt LLP (Canada, U.S.)	

Timeline

- Deferral started in June 2017
- Warehouse financing to begin as soon as possible
- Currently educating agencies and seeking to better understand applicable criteria / methodologies

Key Dates

- Select Rating Agencies
- Complete Ratings Process

Market Holidays

- Canadian
- U.S.

July 2017

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2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

August 2017

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27	28	29	30	31		

Ontario Electricity Market

SECTION I

Overview of the Electricity Market in Ontario

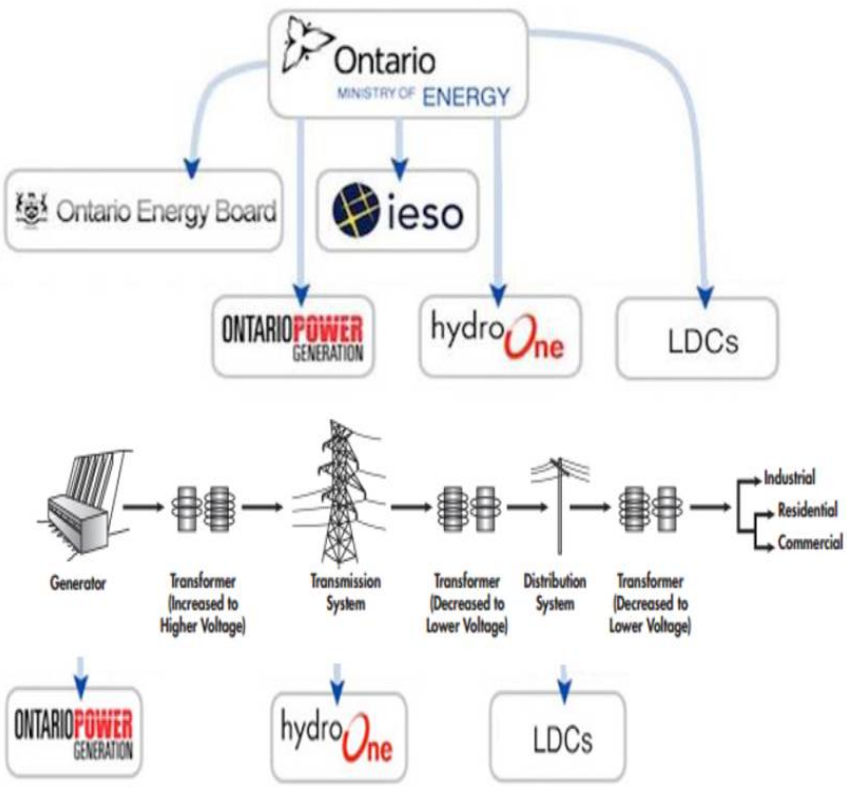
The Ontario electricity market is highly regulated

- Transmission rates, Distribution rates, and OPG's Generation are set by the Ontario Energy Board
- Rates for the majority of the remaining generation are set by direct contracts with the IESO (e.g. Bruce, Wind / Solar Power)

Key Entities

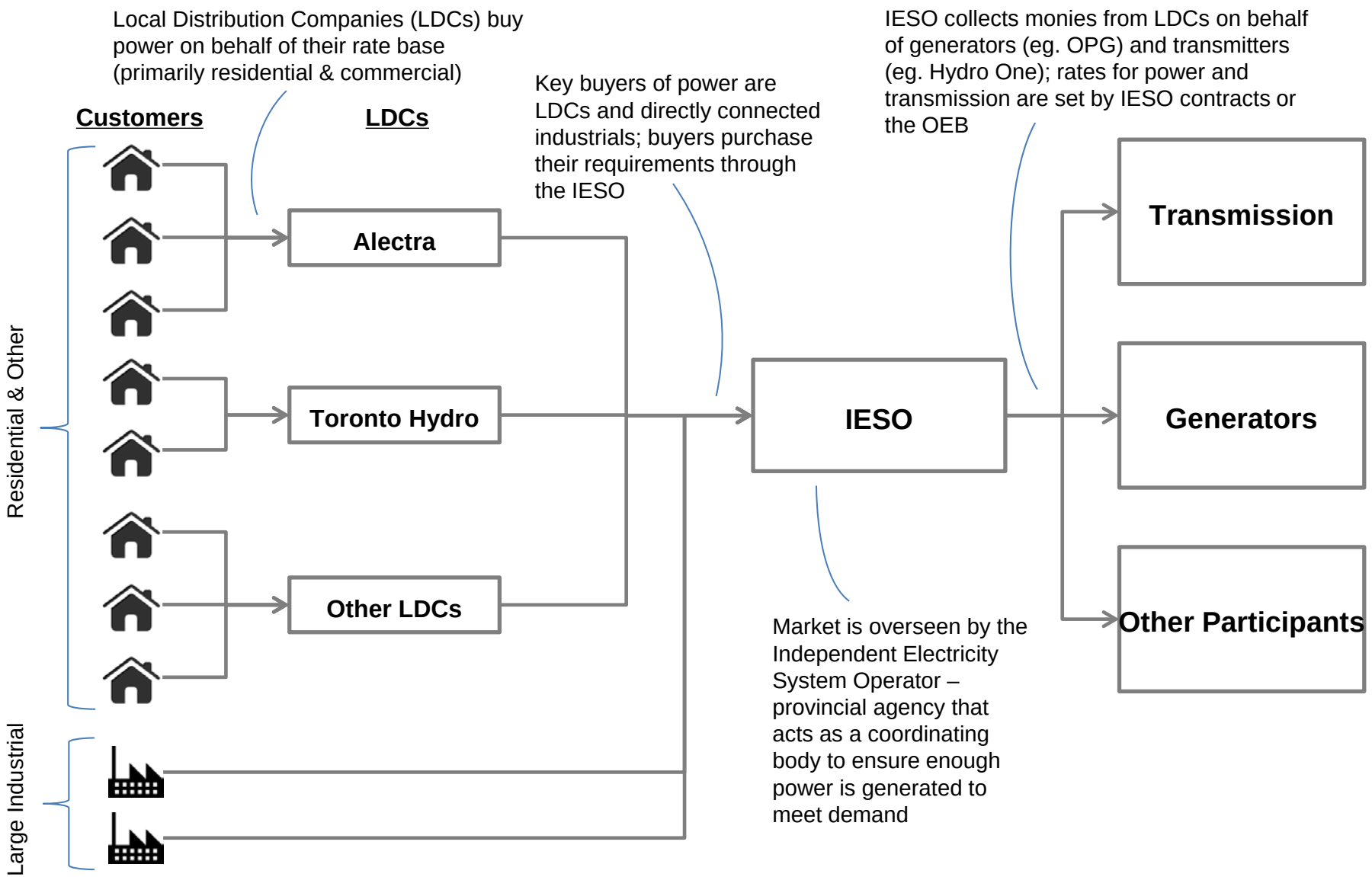
Ontario Ministry of Energy	▪ Sets policy for the electricity system
Ontario Energy Board	▪ Ontario Energy Board is Ontario's independent energy regulator that evaluates rates paid to regulated energy providers ▪ The Ontario Energy Board has a statutory obligation to set the regulated electricity price for Regulated Price Plan (RPP) consumers
IESO	▪ The Independent Electricity System Operator manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market
OPG	▪ Ontario Power Generation is Ontario's largest electricity generator, producing approximately half of Ontario's electricity – Wholly owned by the Province of Ontario
Hydro One	▪ Owns and administers transmission in the province
LDC's	▪ Local Distribution Companies (LDC's) provide power to end-users (residential / commercial / industrial) ▪ There are 60+ LDC's operating in the IESO market; the 3 largest LDCs(1) account for ~60% of Ontario's 5.1 million customers

The Ontario electricity market has $22B in annual cash flows



(1) Hydro One, Toronto Hydro, and Alectra

Flow of Funds Through Key Market Participants



The IESO

Key Credit Strengths

- The IESO is at the center of the market, as buyers purchase power from the IESO and sellers of power are paid by the IESO
- IESO is effectively a clearing house and establishes the terms by which buyers are able to purchase power
- IESO Market Rules - Chapter 2 of the Market Rules outlines the parameters for Participation or “the procedures pursuant to which persons may apply to the IESO for the authorization to participate in the IESO-administered markets or to cause or permit electricity to be conveyed into, through or out of the IESO-controlled grid”
- The credit conditions are outlined in Chapter 2 and involves the “prudential support” provided by the LDC
- Based on public credit ratings or credit payment history, a buyer of power may be required to post collateral to support their projected exposure; LDCs, given their strong credit structure are awarded higher unsecured purchase limits
- The Prudential Rules are reviewed every few years and maintain a conservative stance regarding collateral

Strong Credit History

- Approximately $22 billion in costs flow through the Ontario electricity system each year (60% goes to generators)
- Since the beginning of the IESO open market in 2002, there have been 20 defaults
- Only three defaults could not be fully covered by the collateral posted by the defaulters
- Of the three defaults that resulted in “default levies” to the market participants, the total the levies were under $1 million
- Default levies are allocated 50% to Buyers of Power and 50% to the Sellers of Power, based on their usage/generation

LDCs

Key Credit Strengths

- The majority of power purchased in Ontario is by LDCs on behalf of residential and commercial customers; LDCs make up approximately 80% of the market
- The typical customer bill includes charges for the power itself (which goes to the generators), transmission (e.g. Hydro One), to the LDC itself (for local distribution), and for other market charges (e.g. IESO costs)
- LDC rates are governed by the OEB rate setting process; LDCs under the OEB's Retail Settlement and Distribution System Code may obtain a security deposit or letter of credit from their customers to mitigate risk of payment default
- LDCs are able to include an amount for accounts receivable write-offs within operating expenses for rate setting purposes. They can also apply for any extra-ordinary write-offs as a variance account adjustment to be considered by the OEB
- Approximately 10 LDC's have credit ratings through DBRS or S&P; the ratings are generally A, based on very low industry risk of regulated utilities and supportive regulatory framework;
- The OEB deems the capital structure of a LDC to include 40% equity and sets an allowed rate of return

Strong Credit History

- Given the strong credit mitigation measures available to the LDCs, a review of 8 LDCs (varied in size and geographic region), indicated a similar and very low loss rate
- LDC data was based on the financial statements of Toronto Hydro, North Bay Hydro, Horizon Utilities, Enersource, Collus PowerStream, Energy Plus, PowerStream, and Hydro One

	Average	Last 5 Years Average
AFDA / AR	3.40%	3.70%
AFDA / Sales	0.42%	0.44%
Write-Off / Sales	0.29%	0.28%

AFDA: Allowance for doubtful accounts

Fair Hydro Plan

SECTION II

Background

On March 2nd the Ontario Government Announced its Fair Hydro Plan

- The plan proposes to lower the average residential electricity bill by 25 percent
- In part by reallocating the charges paid by ratepayers for generation contracts and conservation programs over an extended period to match the expected life of the assets and the benefits of these initiatives
- In order to reallocate the payments, an OPG managed Financing Entity will use debt to purchase Regulatory Assets from the IESO and amortize them over a longer period
- This will lead to a near-term reduction in electricity bills followed by an increase in electricity bills over the long-term as interest and principal is repaid
- The government has further committed to capping the increase on the average residential bill at the rate of inflation for three years following the initial year

Financing Entity Overview

- OPG has the mandate to create and oversee a Trust separate from regular operations, that will finance costs related to the Fair Hydro Plan and spread the recovery through 2047
- The OEB will set the Regulated Price Plan to meet the requirements of the Fair Hydro Plan
- The IESO will create a regulatory asset approximately equal to the difference between collections from ratepayers and payment obligations to generators and conservation
- The Trust will have the right, but not the obligation, to purchase these regulatory assets / investment interests to support the debt required
  - Upon purchase by the trust, the regulatory asset becomes investment interest for the trust
- The Trust will enter the capital markets 1-3 times per year to secure long-term investment interests

Given the province's commitment to reduce electricity bills, there is a requirement to establish a financing entity, the "Trust", that will finance the shortfall in revenues not received from the market

Regulatory Asset / Investment Asset

Regulatory Asset

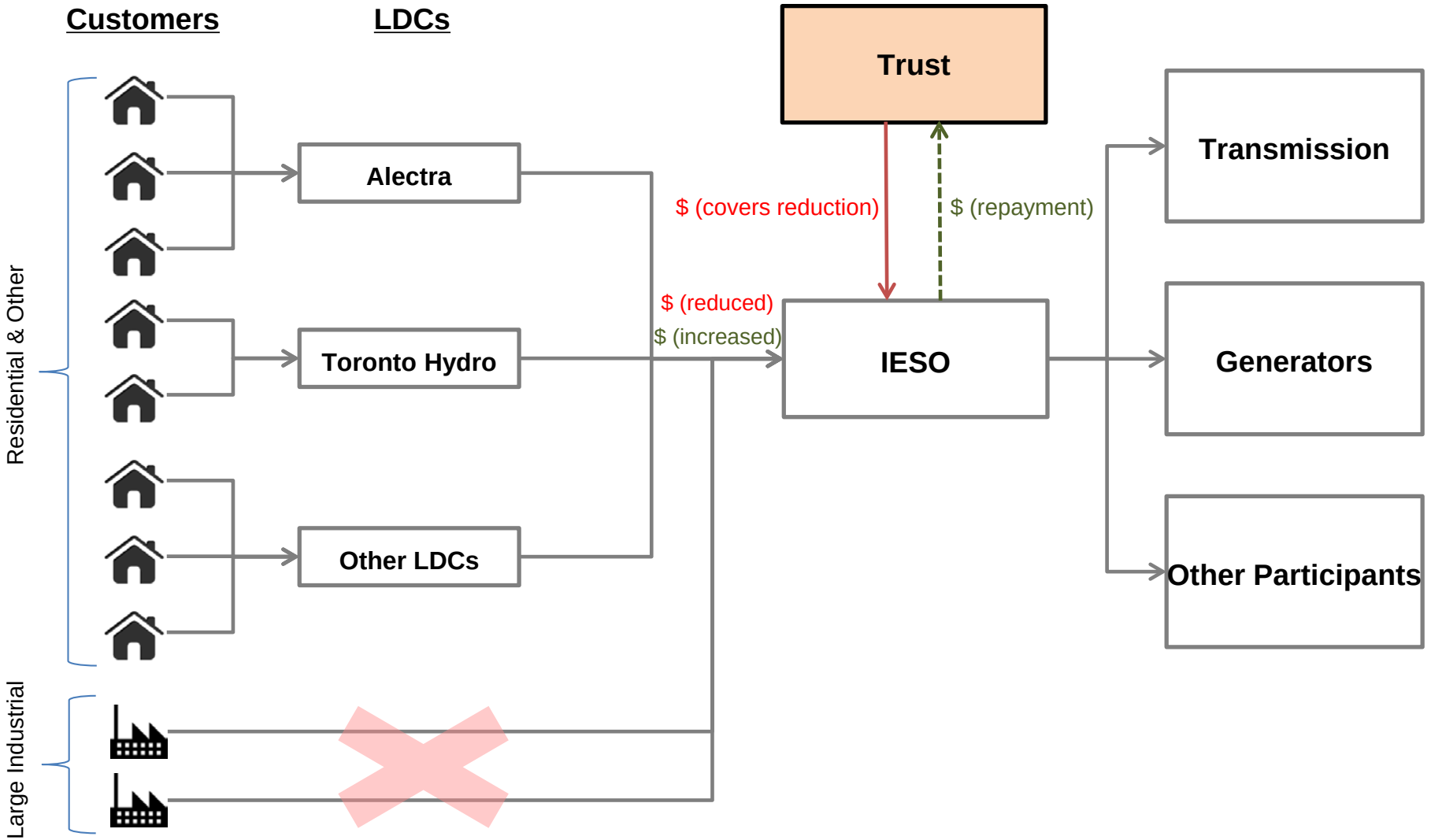
- IESO has authority under the Act to create a variance account to track the regulatory asset and is able to recover the balance in the variance account from consumers
- The OEB will set rates in accordance with regulation to recover the variance account balance through the clean energy adjustment but the OEB cannot change the amount of the clean energy adjustment to be recovered
- IESO is not able to recover the variance account balance prior to May 1, 2021
- IESO can transfer a portion of the variance account / regulatory asset to a financing entity
- A transfer of the variance account / regulatory asset is treated as an absolute sale of the IESO's right to recover the balance [and is not simply a security interest]

Investment Asset

- Transfer of the regulatory asset to a financing entity becomes an investment asset in the financing entity
- The investment asset constitutes an irrevocable property right and interest consisting of all rights of the IESO with respect to the variance account including the right to determine, impose, invoice, and collect the clean energy adjustment
- Investment interest owner can grant a security interest in order to secure a funding obligation

Addition of the Trust

In order to facilitate a ratepayer discount, the Trust is introduced to pay the difference to the IESO



Financial Services Manager - OPG

The Fair Hydro legislation names OPG, as the Financial Services Manager

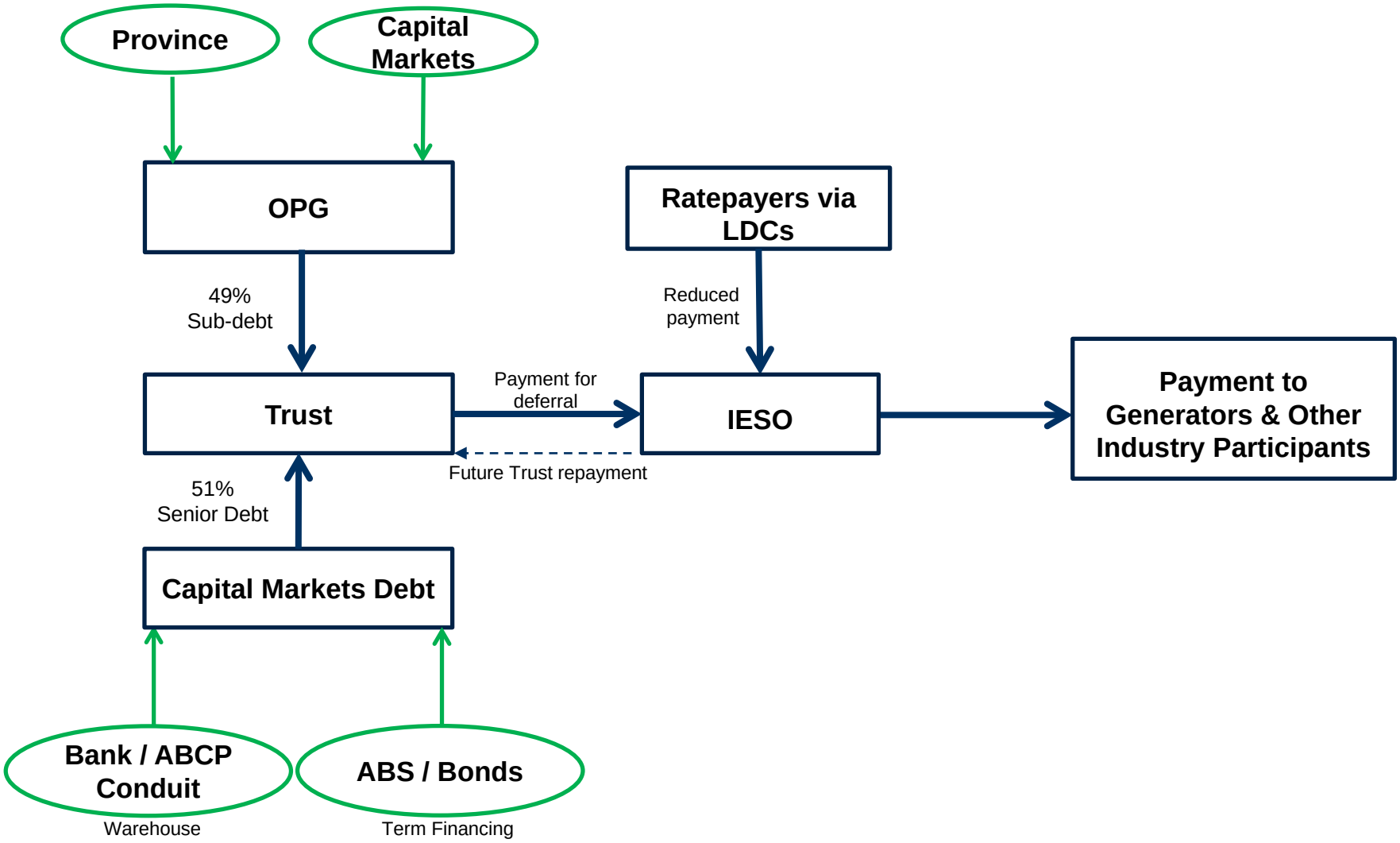
Why OPG

- One of the most experienced and largest generating companies in Canada, OPG has a broad set of relationships and capabilities that make it a valuable resource to the Province of Ontario
- Experienced in successful complex financing arrangements of large capital projects (such as OPG's recently completed Lower Mattagami project)

OPG's Role as Financial Services Manager

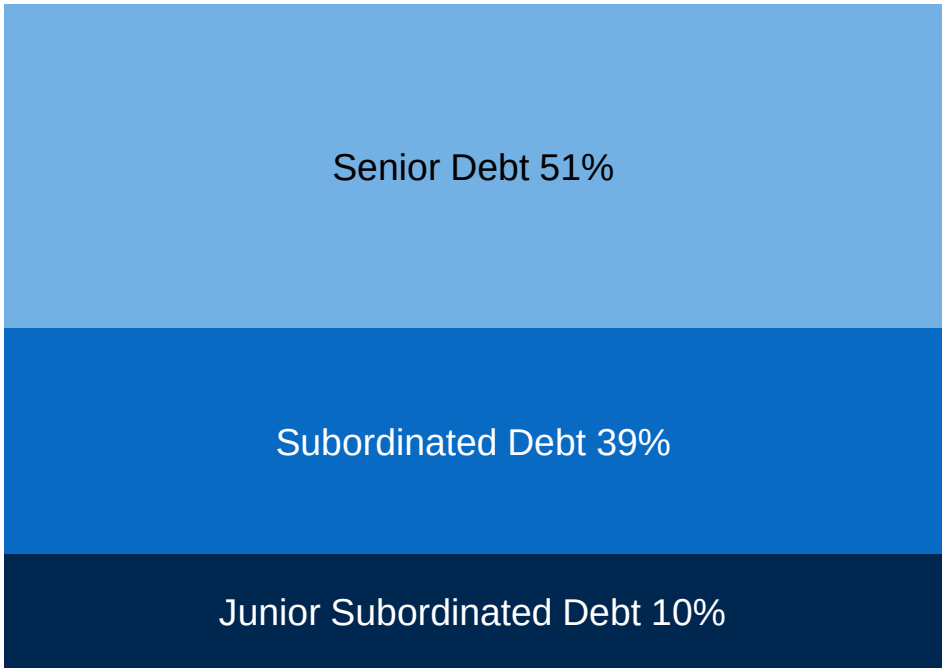
- Prepare a Financing Plan to evaluate whether potential funding obligations should be incurred for the purposes of acquiring an investment asset
- Administer the investment asset on behalf of the financing entities
- Ensure that funding obligations are incurred in a manner that is consistent with the Financing Plan
- Establish and charge fees for Financial Management Services
- Shall not provide for funding obligations to be incurred with any recourse to any assets of an electricity vendor, OPG, the OEB, the Province or the Lieutenant Governor in Council

Flow of Money between Trust and IESO



Simplified Trust Structure

- The Fair Hydro Trust will fund regulatory asset purchases through the issuance of senior and subordinated secured debt
  - Senior debt (51%) will be sourced monthly from committed warehouse facilities (bank and / or ABCP), and the periodic issuance of term debt
  - Subordinated debt (49%) will be provided by OPG; 44% of which will be obtained from an OEFC equity injection and 5% from OPG via external markets
  - Senior and subordinated principal will be scheduled to amortize to maintain the original proportions, shortfalls to be allocated first to the subordinated debt



<u>Senior Debt (Public Markets)</u>
Accessed from:
1) Canadian Securitization Program
2) U.S. Market Program

<u>Subordinated Debt</u>
- Provided to Trust by OPG via Ontario government

<u>Junior Subordinated Debt</u>
- OPG Injection (5%)
- Province to Trust by OPG via Ontario government (5%)

Financing Strategy

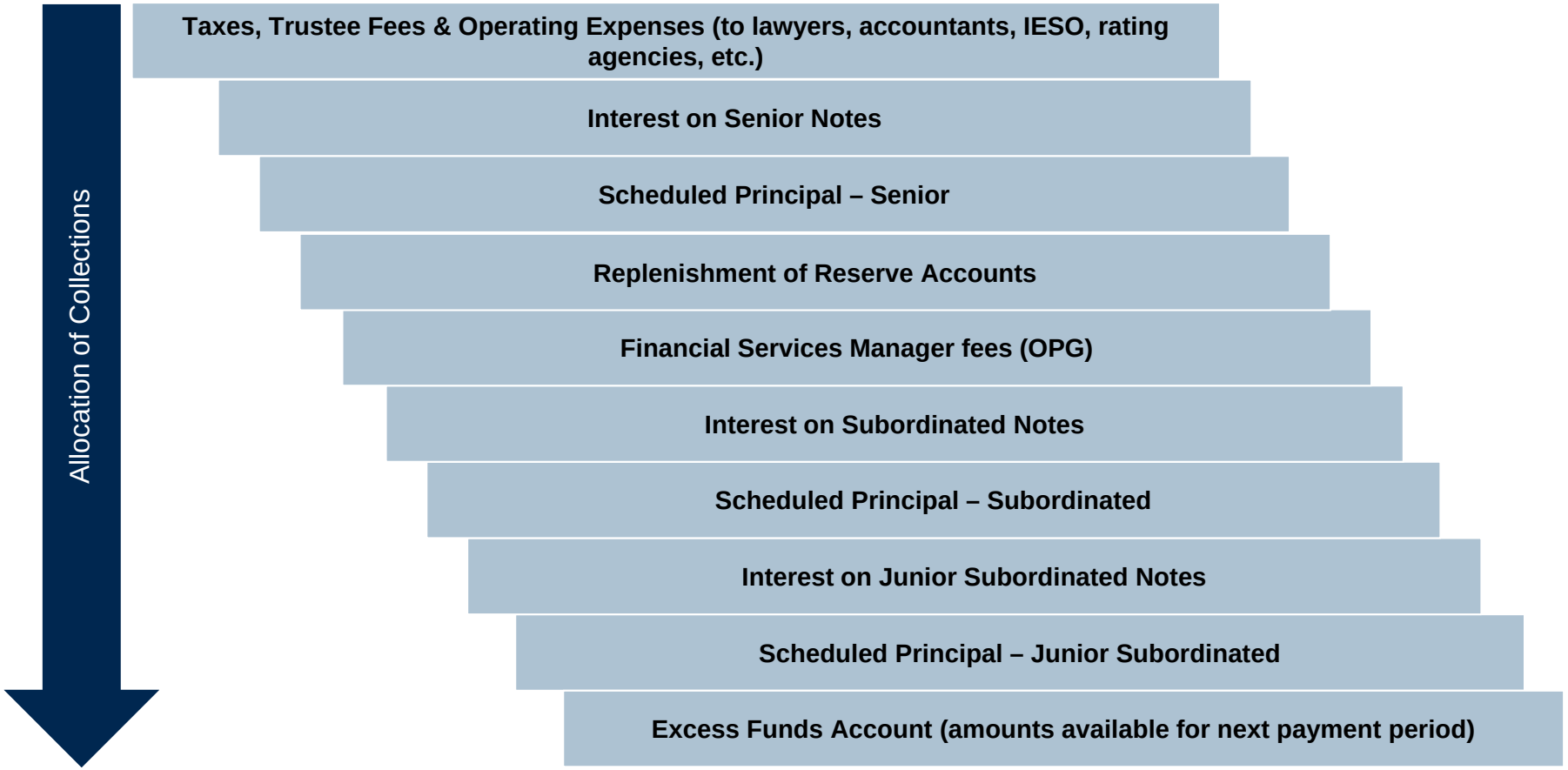
SECTION III

Financing Strategy – Funding Alternatives

- There are several potential funding sources that OPG can consider to structure the overall financing program, including securitization (issued in Canada or the U.S.), bonds, bank financing, and subordinated debt
- Warehouse financing (ABCP or bank debt) and OPG sub-debt will be used to fund monthly investment asset purchases from the IESO (monthly IESO funding shortfalls anticipated to be ~$200 million)
  - Fair Hydro Trust will periodically refinance the warehouse facility through the issuance of term debt
- It is anticipated that the first term debt takeout will be completed in the fall of 2017
  - Aggregate financing for the first offering could be ~$400 - $600 million, with senior-debt of about $200 - $300 million
- Both Canadian and U.S. term debt markets will be considered but decision on which markets to access will be determined on a deal by-deal-basis
- Term debt can take the form of bullet bonds or could be issued as amortizing bonds

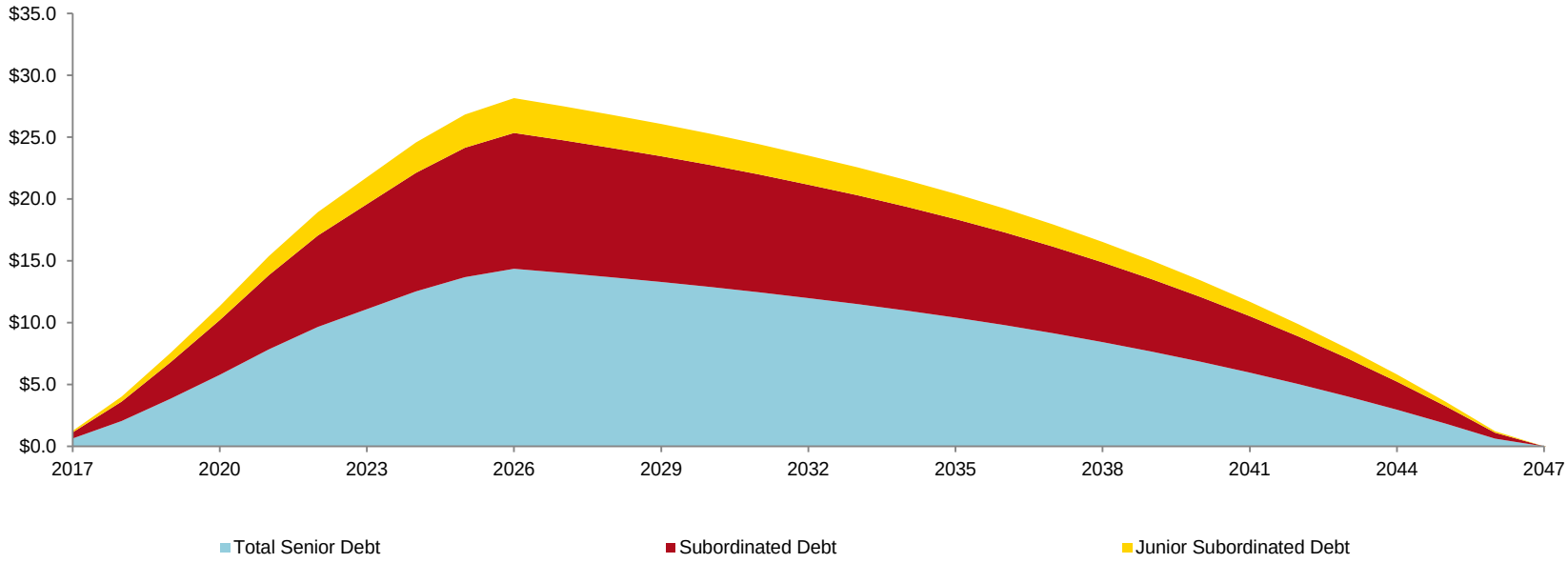
ABCP Conduit	▪ R-1(high) rating confirmation will be required from DBRS pre-closing ▪ Used to fund monthly regulatory asset purchases from the IESO
Bank	▪ Two explicit long-term ratings will be required ▪ Used to fund monthly regulatory asset purchases from the IESO
Canadian Term ABS / Bond	▪ Two explicit long-term ratings required; AAA rating will be targeted
US Term Debt (ABS / Bonds)	▪ Two explicit long-term ratings required; AAA rating will be targeted ▪ Requires cross-currency swaps
Subordinated Debt	▪ Subordinated notes will provide credit enhancement for senior debt (ranks behind senior debt in cash flow waterfall) ▪ Two explicit long-term ratings required

Indicative Waterfall



Illustrative Trust Debt Balance: Borrowing and Repayment

Illustrative Total Debt Summary - Funding / Repayment (Annual)



Transaction Structure

SECTION IV

Structural Comparison

	Precedent Utility Charge Securitizations	Proposed Fair Hydro Structure
Legislation	Legislation creates regulatory basis for implementation and servicing of the charge	
Details of Financing	Outlined in irrevocable Financing Order	Outlined in Regulations supported by province guarantee
Collateral	The right to impose and collect a charge from electric utility customers as well as transaction reserve accounts	
Government Support	State pledge not to permit any action that would impair the value of the Collateral	Province guarantee of repayment if any action taken that would impair the value of the Collateral
Non-Bypassability	Charge to be paid by all existing and future electric customers in included customer classes	
Impacted Customers	The majority of customers in service territory (including residential, commercial and industrial)	The majority of customers are residential and light commercial
Recovery Charge	Relatively low, <5% of total bill	Approximately 10% of total bill
Issuer	Varies, but generally a newly formed special purpose vehicle (“SPV”) that is a subsidiary of Investor Owned Utility	Newly formed special purpose vehicle (“SPV”) would be consolidated into Ontario Power Generation (“OPG”) financial statements
Servicer	Varies, but generally Investor Owned Utility	Independent Electricity System Operator (“IESO”)
Third Party Billing	Varies depending on State	Yes, via Local Distribution Companies (“LDC”)
Nonpayment & Partial Payment by Customers	To the extent that any electric utility customer makes a partial payment of a bill containing the charge, the charge collection will be a pro-rata portion of the payment	
Amortization	Fully amortizing with principal payments beginning at first issuance	Bullet or amortizing bonds with principal payments deferred for a number of years following issuance
Establishment of First Charge	Generally within 1 year of issuance	Delayed start
Credit Enhancement	True-up mechanism, reserve accounts	True-up mechanism, reserve accounts, and subordinated debt
Hedging	Historically limited to interest rates	May include interest rate and currency hedging
Trust Structure	Discrete (single issue) trust	Master trust with multiple series issued over a 10 year period
Legal Opinions	Standard opinions regarding Validity, Enforceability and Regulatory Issues (Constitutionality opinion not applicable for Canadian transactions)	

Transaction Includes Same Key Elements as 'AAA' Investor-Owned Utility Securitizations

- Based on the existing Ontario Electricity market infrastructure no credit losses are anticipated
- Fair Hydro Trust true-up mechanism will ensure timely and full collectability of all debt
- OPG subordinated debt will provide incremental credit enhancement for the senior debt
- Provincial guarantee protects investors from an adverse change in law or inability to fund in capital markets
- The Province of Ontario has very low credit risk and is considered to be stable
  - High likelihood of Government of Canada (Aaa, stable) actions to prevent provincial default
  - Ontario is the largest economy of Canadian provinces: 40% of national economic output, 38% of national population, strong destination for immigration, lower than national unemployment rate

✓	**Experienced Operating Agent**	▪ OPG, IESO, and LDC are experienced operators
✓	**Strong Service Territory**	▪ Stable customer base with diversified service territory
✓	**Enhanced True-up**	▪ Mandatory semi-annual true-ups to correct for any over or under collections ▪ Optional interim adjustments permitted as necessary
✓	**Irrevocable & Nonbypassable Charge**	▪ Final and effective upon issuance of Bonds ▪ Applies to all residential and small commercial consumers receiving power through T&D system
✓	**No "Cap" on Collection of Charge**	▪ No limits on collection of charge that may be imposed on all customers after moratorium period
✓	**Province Guarantee**	▪ Strong government support through guarantee of bond legal and regulatory framework
✓	**Full Cross-Collateralization**	▪ Any collection shortfall is allocated among all specified consumers
✓	**No Industrial Risk**	▪ No single large customer or industry exposure

Legislative and Regulatory Overview

Authorizes Use of Securitization and Establishes Servicing Relationship between OPG, IESO and LDCs

General Powers and Authority of Legislation

- Creation of mechanism for deferral of costs by the IESO and establishment of the Regulatory Asset
- Creation of mechanism for absolute sale of Regulatory Asset to Financing Entity
- Definition of impacted customers (“specified consumers”)
- Establishment of right to bill and collect a non-bypassable clean energy adjustment from future specified consumers
- Establishes principles of the Financing Plan
- Statement of non-impairment by the Crown and provision for a Provincial Guarantee
- Allowance for the establishment of a bankruptcy-remote issuer
- Allowance for true-up mechanism

Fair Hydro Regulations

- Details on calculation of the fair allocation amount
- Details on eligible financeable amounts
- Additional details on clean energy adjustment assessment methodology (true-up mechanism):
  - Timing (mandatory semi-annual + more frequent as needed)
  - Calculation (accounts for expected charge-offs, billing delays and usage as well as any under / over collection in previous period)
- Additional details around servicing / billing mechanics (e.g., LDCs and IESO)

Responsibilities Under New Structure

OPG

- OPG to act as Financial Services Manager including the development and implementation of the Financing Plan
- Calculates the clean energy adjustment including semi-annual true-up

IESO

- Establishment of IESO as Servicer
- Aggregation of collections by LDCs and remittance to Trustee

LDCs

- Manage the billing and remittance of the non-by-passable charge
- Includes charge as a separate line-item on customer bills

Ontario Energy Board

- Must accept clean energy adjustment, and converts to customer charge
- Allow for the charge to go into effect
- Review / approve ongoing Financial Services Manager fees and expenses

Objective of the Legislative, Regulatory and Contractual Structure

- Due to the number of related parties participating in the transaction an overarching theme of the structure is to establish the transaction on a commercial basis
- OPG expects to consolidate the results of the Trust in its financial statements based on the commercial relationship between OPG and the Trust
- The commercial basis is established by a number of elements which work together
  - Trust has the right but not the obligation to purchase a Regulatory Asset
  - Regulatory Asset purchased by the Trust provides the right to bill and collect a charge from future consumers
  - Transactions in the Trust to finance the asset purchase to be on an arm's length basis
  - Amount collected from consumers includes costs of financing the asset purchase, costs to manage the financing, costs to operate the Trust and repayment of principal
  - OEB role established to support recognition of asset and customer charge
  - Debt of the Trust structured to balance risk and cost with objective to achieve highest rating possible
  - Subordinated debt issued by the Trust will be rated and will price off of the senior debt based on a survey of banks
  - Subordinated debt will absorb uncertainties of the senior debt to support highest rating of the senior debt
  - OPG will manage the activities of the Trust for a fee comparable to fees charged by 3rd party managers. OEB role will be limited to reviewing the application of the fee methodology
- Notwithstanding consolidation of the Trust into OPG the Trust will be structured to be bankruptcy remote from OPG

Bill 132 Fair Hydro Plan Act, 2017 Legislation

The Act establishes a framework under which the costs and benefits associated with the “clean energy initiative” are to be allocated among present and future consumers of electricity

Rate Reduction Time Period

- From July 1, 2017 until April 30, 2019, electricity rates payable by a “regulated rate consumer” will be the rate that would result in a representative regulated rate consumer who meets the prescribed criteria being charged an invoice amount that is 25% less than the regulated rate that would otherwise have been determined by the OEB
  - For the 12 month period beginning May 1, 2018 the invoice amount established previously would increase by the rate of inflation in Ontario
  - Subsequent rate reductions beyond April 30, 2019 will be established by regulation

Regulatory Asset

- Each month, the IESO will determine the shortfall resulting from the rate reduction and record in a variance account. IESO has the right to recover the balance recorded in the variance account from specified consumers and this right will be a “regulatory asset” under the Act. IESO will not be entitled to collect the balance recorded in the variance account from specified consumers before May 1, 2021

Investment Asset

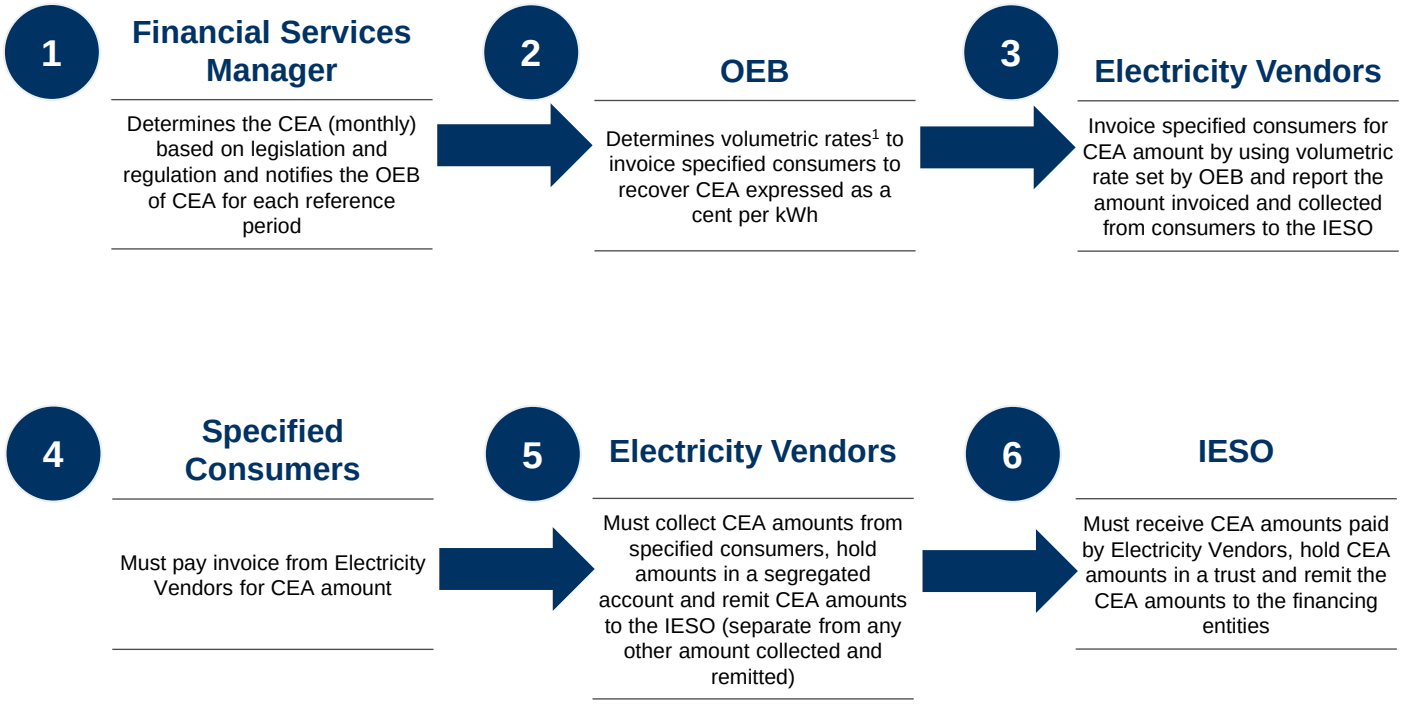
- IESO may transfer (sell) a specified portion of the regulatory asset to the financing entity established by OPG. The Trust is not obligated to purchase the asset. Upon the transfer, the financing entity acquires an interest in the investment asset that is a current and irrevocable property right consisting of the right to impose, invoice, collect, receive and recover the clean energy adjustment from specified consumers or electricity vendors

Components of the legislation and accompanying agreements that are of interest to investors

- Investment assets created by the IESO represents a claim on the rate-payers that is a current and irrevocable property right consisting of the right to impose, invoice, collect, receive and recover from the market
- The trust is not obligated to purchase the regulatory asset from the IESO
- The various investment assets are pari passu
- **The province is providing a guarantee to the trust; backstopping its obligations, either if there are changes in future legislation or if there are market disruption (liquidity) issues**

Clean Energy Adjustment – Proposed Billing and Collection Process

- Clean Energy Adjustment 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
  - As such, CEA amounts will not benefit from the rights the IESO currently has under the Market Rules – ability to charge interest, draw down on prudential amounts, and borrow to cover shortfalls
  - Collections risk for CEA amounts are dealt with through statutory rights in the Act, the collection obligations of the IESO under the Master Sales and Services Agreement (to be finalized) and the ability to include amounts into the true up mechanism



[1] The rates will be determined by dividing the CEA amount by the forecasted energy consumption in the reference period by specified consumers

Indicative Allocation of Servicing Role and Responsibilities

	OPG / Financing Entity	IESO	LDC
Management of Ongoing Issuance	✔		
Meter Reading			✔
Billing			✔
Collections			✔
Cash Management		✔	
Remittance of Charge to Trustee	✔	✔	
(Responding to inquiries by customers if practicable, or forwarding such inquiries to OPG)	✔		✔
Ongoing Filings for Trustee and Rating Agencies	✔		
True-Up Calculation	✔	✔	

From:	Ken Kandeepan
To:	Ronald Kwan; Mike Manning; John Psinas; John Kim; James Devine; Carlos Yep
Cc:	Anna Strathy
Subject:	FW: Fair Hydro - OPG Fees regulation
Date:	Thursday, September 07, 2017 5:15:08 PM
Attachments:	Blackline - Fees regulation (vs Province Aug 28 Draft).pdf Fees Regulation - Combined Torys and OPG comments - Sep 7 2017.docx

Hi All

Pls note, the draft regulation appears to cover both the performance fee and the asset management fee, let me know if you have any comments on the former and I will consolidate and forward to Dan Shear in Energy who can act as the conduit to OPG. I will also make the point that the asset management fee structure is outside the OFA's scope.

Thanks

Ken k

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: Thursday, September 07, 2017 3:53 PM
To: Dan Shear (ENERGY) <Dan.Shear@ontario.ca>
Cc: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; James Rehob (ENERGY) <James.Rehob@ontario.ca>; Tom McKinlay (MAG) <Tom.McKinlay@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; 'Ramchandani, Rima' <rramchandani@torys.com>; Feldman, Michael <mfeldman@torys.com>; Myers, Jonathan <jmyers@torys.com>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LIU Sheen -TREASURY <sheen.liu@opg.com>; LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>
Subject: Fair Hydro - OPG Fees regulation

Dear Dan,

I understand that you will be working on the regulation regarding OPG's management fees under the Fair Hydro program.

Please find attached a draft of the regulation containing combined comments from OPG and our external counsel. Attached are a clean and a blackline against the draft that we received from the Province on August 28

Note that we have aimed to meet the Province's objective to provide the OEB with a meaningful role in reviewing OPG's fees, but within the constraints of the accounting treatment requirements. Based on our discussions with E&Y, the methodology for determining OPG's fees and the scope of OEB's review in the attached meet the accounting treatment requirements. E&Y also confirmed the view that a proposed cost-plus approach with the ability of the OEB to amend the methodology and benchmarks would jeopardize the desired accounting treatment.

Let us know if you have any questions. Once you have had a chance to review, we should set up a call or meeting to discuss.

Note that I have copied Torys as well as Ken Kandeepan at the OFA. Ken had reviewed previous drafts of the fees regulation and we have also contemplated in the regs that the OFA may provide advice to the OEB on the appropriate benchmarks, as has been discussed at recent rate mitigation meetings.

Note that I am out of the country from September 8-14, inclusive, but will be able to check e-mail during my absence.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 **|** E: leslie.wong@opg.com

From: Calwell, Carolyn (ENERGY/MEDEI/MRI) [mailto:Carolyn.Calwell@ontario.ca]
Sent: Monday, August 28, 2017 5:23 PM
To: LEE John -TREASURY; WONG Leslie -LAWDIV
Cc: Hume, Steen (ENERGY); Cox, Hilary (ENERGY); Nelms, Scott (MOF); Rehob, James (ENERGY); McKinlay, Tom (ENERGY)
Subject: EXTERNAL – Fees regulation

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

John, Les – in aid of restarting our discussion about the fees that will be payable to OPG as financial services manager, please find attached a draft regulation. Based on the June drafts we provided, this version reflects the Ministry's view that there must be a meaningful role for the OEB.

John, I am mindful that you flagged concerns that this approach would impair the accounting treatment that OPG is seeking. If that is still the case, then we will need to understand that in more detail. Also, rather than rejecting outright any role for the OEB, it would be helpful if OPG can assist in identifying middle ground.

I understand that there is a desire to talk about this further at the Thursday morning meeting. I would also be happy to talk to you in advance of Thursday's meeting.

Carolyn

Carolyn Calwell
Legal Director
MAG Civil Law Division
Ministries of Energy / Economic Development & Growth /
Research, Innovation & Science / Infrastructure / Accessibility
416-212-8392

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FEES RIDER – subs. 19 (3) of the Act ~~– August 28, 2017~~

(x.1) For the purposes of this section:

1. (1) For the purposes of subsection 19 (3) of the Act, the Financial Services Manager may establish and charge fees to financing entities in relation to the ~~following matters:~~

~~1.~~ ~~The~~ services provided by the Financial Services Manager to financing entities, which may include services related to planning, financing, negotiation and execution of agreements, front office services and administrative services.

~~2. The costs of doing anything that the Financial Services Manager is required or permitted to do under the Act.~~(2) The fees mentioned in subsection (1) shall be calculated annually and shall be comprised of a base fee and a variable fee based on performance.

(~~2) The~~3) In addition to the fees mentioned in subsection (1) ~~may provide for a fixed fee and a variable fee based on performance.~~, the Financial Services Manager shall be entitled to be reimbursed by the applicable financing entity for all out-of-pocket costs and expenses incurred in connection with its duties under the Act or under any management agreement with the applicable financing entity, including, without limitation, the costs and expenses of underwriters or selling agents for funding obligations; banking fees; fees of issuing and paying agents for funding obligations; fees of trustees; fees incurred in the preparation of financial statements, financial reports, compliance certificates and tax returns; fees of legal counsel; government filing or registration fees; and any third-party independent consultants required to be retained under these regulations.

2.~~(1) The fixed fee shall be equal to the reasonable cost of services provided to all financing entities plus a reasonable rate of return.~~ (1)(a) The base fee referred to in subsection 1(2) shall be payable monthly and calculated as follows:

(A x B) / 12

where,

A = a percentage, expressed as a per annum rate, based on market comparable fees charged by service providers for similar services as determined by the Financial Services Manager and subject to review by the Board under section 4, and

B = the average of the opening and closing balances of the aggregate principal amount of outstanding funding obligations issued by all financing entities in the previous calendar month.

Note: Draft language provided for the purpose of instructions to Ontario Legislative Counsel. Final content of regulation is subject to drafting by OLC.

(b) Subject to review by the Board under section 4,

(i) for so long as the outstanding aggregate principal amount of funding obligations of all financing entities is equal to or less than $10 billion and until the end of the calendar year in which such amount exceeds $10 billion, "A" in the formula set out in subsection (1)(a) shall be equal to 10 basis points, or 0.1%, and

(ii) commencing on the first day of the calendar year following the year in which the outstanding aggregate principal amount of funding obligations of all financing entities exceeds $10 billion, "A" in the formula set out in subsection (1)(a) shall be equal to 8 basis points, or 0.08%.

(2) The variable fee referred to in subsection 1(2), shall be calculated as ~~follows~~the sum of the amounts calculated, using the following formula, for all tranches of net incremental funding obligations issued by all financing entities in the relevant year:

$$(A \times (B - C)) \times 5\%$$

Where,

A = the principal amount of ~~all tranches~~the applicable tranche of net incremental annual funding obligations,

B = the ~~forecasted weighted interest rate of~~forecast interest rate for the applicable tranche of net incremental annual funding obligations, as determined by the Financial Services Manager on or before the end of the calendar year prior to the calendar year in which the fee is being determined and based on the term of the applicable tranche of net incremental annual funding obligations, and

C = the actual ~~weighted~~ interest rate ~~of~~for the applicable tranche of net incremental annual funding obligations~~.~~,

(3) For the purposes of subsection 2(2), "net incremental annual funding obligation" means the aggregate of all funding obligations issued by all financing entities in a calendar year, including senior debt and subordinated debt, but, for greater certainty, not including any debt outstanding at the beginning of such calendar year and not including g any refinancing funding obligations incurred in such calendar year.

Note: Draft language provided for the purpose of instructions to Ontario Legislative Counsel. Final content of regulation is subject to drafting by OLC.

(4) The variable fee payable for any calendar year ~~shall not be~~ :

(a) where the aggregate principal amount of funding obligations of all financing entities outstanding at the end of such calendar year is $10 billion or less, shall not be

1. more than 1% of (5% × the net incremental annual funding obligations), or

2. less than -1% of (5% × the net incremental annual funding obligations) ~~.~~; and

(b) where the aggregate principal amount of funding obligations of all financing entities outstanding at the end of such calendar year is greater than $10 billion, shall not be

1. more than 2% of (5% × the net incremental annual funding obligations), or

2. less than -2% of (5% × the net incremental annual funding obligations)

(5) If the variable fee is a negative amount, such amount shall be deducted from the ~~fixed~~base fee payable in the following calendar year in twelve equal monthly instalments.

(6) Where there is more than one financing entity, the fees allocated to and payable by a financing entity shall be allocated in proportion to the outstanding aggregate amount of funding obligations of such financing entity.

3.(1) ~~When the~~The Financial Services ~~Manger submits~~Manager shall submit its proposed fees to the Board for approval no later than ■, ~~the Financial Services Manager~~201■ and shall provide the following in its submission:

1. ~~The methodology that the Financial Services Manager has used to calculate its proposed fixed and variable fees.~~ ~~2.~~ The methodology that the Financial Services Manager has used to benchmark ~~the~~ each component of the proposed fee.

~~3.~~2. The period of time during which the Financial Services Manager is proposing to charge its proposed fee.

~~5. The identity of the financing entities that are required to pay the~~3. The calculation of its proposed base and variable fees.

Note: Draft language provided for the purpose of instructions to Ontario Legislative Counsel. Final content of regulation is subject to drafting by OLC.

~~6.~~4. Such other information as the Board may require.

(2) ~~The Board is not bound by any methodology or benchmark provided to it by the Financial Services Manager under subsection (1).~~ The Financial Services Manager may from time to time, but not more than once in any 12 month period, submit proposed amendments to its fees to the Board.

(3) If the Financial Services Manager submits proposed amendments to its fees to the Board, the proposed amendments shall be submitted no later than 120 days before the Financial Services Manager intends for the amended fees to be charged.

(4) Subsections 3(2) and 3(3) do not apply in the first 12 months after this regulation comes into force.

(5) Subsection 3(1) applies with such modifications as the context may require to any submission by the Financial Services Manager for approval to amend its fees.

4.(~~3~~1) The Board may approve the proposed fees ~~or proposed amendments~~submitted by the Financial Services Manager under subsection 3(1) or subsection 3(2) or may refer the ~~proposal~~submission back to the Financial Services Manager for further consideration with the Board's recommendations. In making such recommendations in respect of fees proposed under subsection 3(1) or subsection 3(2), the Board may give due consideration to the advice of the Ontario Financing Authority as to the appropriate benchmarks and range of values for item "A" in the base fee component in subsection 2(1)(a).

(2) Once every three years after the Board has approved the fees submitted by the Financial Services Manager under subsection 3(1) or subsection 3(2), or more frequently if the Board requires but not more frequently than annually, the Board may request the Financial Services Manager to engage, on behalf of and at the cost of the financing entities, a third-party independent consultant to review and advise as to the appropriate benchmarks and range of values for item "A" in the base fee component in subsection 2(1)(a) and shall give due consideration to such advice.

(3) For any review by the Board and any consultant engaged pursuant to subsection 4(2), the Board and such consultant shall give due consideration to market comparables, being the fees charged by managers that provide similar level and scope of services as the Financial Services Manager to securitization vehicles, pension and other investment funds, hedge funds and other similar funds in North America.

(4) Fees established by the Financial Services Manager and approved by the Board, and any applicable taxes on such fees, shall be included in the definition of "expenses" for the purposes of determining finance amounts under the Act.

~~4.(1) The Financial Services Manager may from time to time, but not more than once in any 12 month period, submit proposed amendments to its fees to the Board.~~

~~(2) If the Financial Services Manager submits proposed amendments, the proposed amendments shall be submitted no later than 120 days before the Financial Services Manager intends for the fees to be charged.~~

~~(3) Subsections (1) and (2) do not apply in the first 12 months after this regulation comes into force.~~

5.~~(1) Section 3 applies with such modifications as the context may require to any application by the Financial Services Manager for approval to amend its fees.~~

~~6.(1) Where there is more than one financing entity, the total amount payable by a financing entity in respect of fees shall be proportional to the services that it receives from the Financial Services Manager.~~7.(1) ~~Upon~~When approving the ~~first fee~~fees submitted by the Financial Services Manager under subsection 3(1), the Board may ~~make it~~approve such fees retroactive to a date prior to the date of the Board's approval ~~and~~, but not earlier than July 1, 2017.

[(2) The Financial Services Manager shall establish a deferral account in connection with subsection 19(3) of the Act that records costs incurred by the Financial Services Manager in providing services referred to in section 1 during the period from July 1, 2017 to the day before the date of the Board's first order under subsection 19(3) of the Act.] [NTD: Necessity of this provision to be discussion with the OEB in light of the fact that fees will be recovered as a financing entity expense through the Fair Hydro program and not as part of the fees to be approved by the Board

Document comparison by Workshare Compare on Thursday, September 07, 2017 3:20:07 PM

Input:	
Document 1 ID	file://\\Catou-ogfspuwss\217803$\G\Les Wong's Documents\Fair Hydro Plan\Fees Regulation\Latest Drafts\Fees Rider 28 August 2017.docx
Description	Fees Rider 28 August 2017
Document 2 ID	file://\\Catou-ogfspuwss\217803$\G\Les Wong's Documents\Fair Hydro Plan\Fees Regulation\Latest Drafts\Fee Regulation - Combined Torys and OPG comments - Sep 7 2017.docx
Description	Fee Regulation - Combined Torys and OPG comments - Sep 7 2017
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	72
Deletions	42
Moved from	10
Moved to	10
Style change	0
Format changed	0
Total changes	134

FEES RIDER – subs. 19 (3) of the Act

(x.1) For the purposes of this section:

1. (1) For the purposes of subsection 19(3) of the Act, the Financial Services Manager may establish and charge fees to financing entities in relation to the services provided by the Financial Services Manager to financing entities, which may include services related to planning, financing, negotiation and execution of agreements, front office services and administrative services.

(2) The fees mentioned in subsection (1) shall be calculated annually and shall be comprised of a base fee and a variable fee based on performance.

(3) In addition to the fees mentioned in subsection (1), the Financial Services Manager shall be entitled to be reimbursed by the applicable financing entity for all out-of-pocket costs and expenses incurred in connection with its duties under the Act or under any management agreement with the applicable financing entity, including, without limitation, the costs and expenses of underwriters or selling agents for funding obligations; banking fees; fees of issuing and paying agents for funding obligations; fees of trustees; fees incurred in the preparation of financial statements, financial reports, compliance certificates and tax returns; fees of legal counsel; government filing or registration fees; and any third-party independent consultants required to be retained under these regulations.

2. (1)(a) The base fee referred to in subsection 1(2) shall be payable monthly and calculated as follows:

(A x B) / 12

where,

A = a percentage, expressed as a per annum rate, based on market comparable fees charged by service providers for similar services as determined by the Financial Services Manager and subject to review by the Board under section 4, and

B = the average of the opening and closing balances of the aggregate principal amount of outstanding funding obligations issued by all financing entities in the previous calendar month.

(b) Subject to review by the Board under section 4,

(i) for so long as the outstanding aggregate principal amount of funding obligations of all financing entities is equal to or less than $10 billion and until the end of the calendar year in which such amount exceeds $10 billion, "A" in the formula set out in subsection (1)(a) shall be equal to 10 basis points, or 0.1%, and

(ii) commencing on the first day of the calendar year following the year in which the outstanding aggregate principal amount of funding obligations of all financing entities exceeds $10 billion, "A" in the formula set out in subsection (1)(a) shall be equal to 8 basis points, or 0.08%.

(2) The variable fee referred to in subsection 1(2), shall be calculated as the sum of the amounts calculated, using the following formula, for all tranches of net incremental funding obligations issued by all financing entities in the relevant year:

$$(A \times (B - C)) \times 5\%$$

Where,

A = the principal amount of the applicable tranche of net incremental annual funding obligations,

B = the forecast interest rate for the applicable tranche of net incremental annual funding obligations, as determined by the Financial Services Manager on or before the end of the calendar year prior to the calendar year in which the fee is being determined and based on the term of the applicable tranche of net incremental annual funding obligations, and

C = the actual interest rate for the applicable tranche of net incremental annual funding obligations,

(3) For the purposes of subsection 2(2), "net incremental annual funding obligation" means the aggregate of all funding obligations issued by all financing entities in a calendar year, including senior debt and subordinated debt, but, for greater certainty, not including any debt outstanding at the beginning of such calendar year and not including g any refinancing funding obligations incurred in such calendar year.

(4) The variable fee payable for any calendar year:

(a) where the aggregate principal amount of funding obligations of all financing entities outstanding at the end of such calendar year is $10 billion or less, shall not be

1. more than 1% of (5% × the net incremental annual funding obligations), or

2. less than -1% of (5% × the net incremental annual funding obligations); and

(b) where the aggregate principal amount of funding obligations of all financing entities outstanding at the end of such calendar year is greater than $10 billion, shall not be

1. more than 2% of (5% × the net incremental annual funding obligations), or

2. less than -2% of (5% × the net incremental annual funding obligations)

(5) If the variable fee is a negative amount, such amount shall be deducted from the base fee payable in the following calendar year in twelve equal monthly instalments.

(6) Where there is more than one financing entity, the fees allocated to and payable by a financing entity shall be allocated in proportion to the outstanding aggregate amount of funding obligations of such financing entity.

3.(1) The Financial Services Manager shall submit its proposed fees to the Board for approval no later than ■, 201■ and shall provide the following in its submission:

1. The methodology that the Financial Services Manager has used to benchmark each component of the proposed fee.

2. The period of time during which the Financial Services Manager is proposing to charge its proposed fee.

3. The calculation of its proposed base and variable fees.

4. Such other information as the Board may require.

(2) The Financial Services Manager may from time to time, but not more than once in any 12 month period, submit proposed amendments to its fees to the Board.

(3) If the Financial Services Manager submits proposed amendments to its fees to the Board, the proposed amendments shall be submitted no later than 120 days before the Financial Services Manager intends for the amended fees to be charged.

(4) Subsections 3(2) and 3(3) do not apply in the first 12 months after this regulation comes into force.

(5) Subsection 3(1) applies with such modifications as the context may require to any submission by the Financial Services Manager for approval to amend its fees.

4.(1) The Board may approve the proposed fees submitted by the Financial Services Manager under subsection 3(1) or subsection 3(2) or may refer the submission back to the Financial Services Manager for further consideration with the Board's recommendations. In making such recommendations in respect of fees proposed under subsection 3(1) or subsection 3(2), the Board may give due consideration to the advice of the Ontario Financing Authority as to the appropriate benchmarks and range of values for item "A" in the base fee component in subsection 2(1)(a).

(2) Once every three years after the Board has approved the fees submitted by the Financial Services Manager under subsection 3(1) or subsection 3(2), or more frequently if the Board requires but not more frequently than annually, the Board may request the Financial Services Manager to engage, on behalf of and at the cost of the financing entities, a third-party independent consultant to review and advise as to the appropriate benchmarks and range of values for item "A" in the base fee component in subsection 2(1)(a) and shall give due consideration to such advice.

(3) For any review by the Board and any consultant engaged pursuant to subsection 4(2), the Board and such consultant shall give due consideration to market comparables, being the fees charged by managers that provide similar level and scope of services as the Financial Services Manager to securitization vehicles, pension and other investment funds, hedge funds and other similar funds in North America.

(4) Fees established by the Financial Services Manager and approved by the Board, and any applicable taxes on such fees, shall be included in the definition of "expenses" for the purposes of determining finance amounts under the Act.

5.(1) When approving the fees submitted by the Financial Services Manager under subsection 3(1), the Board may approve such fees retroactive to a date prior to the date of the Board's approval, but not earlier than July 1, 2017.

[(2) The Financial Services Manager shall establish a deferral account in connection with subsection 19(3) of the Act that records costs incurred by the Financial Services Manager

in providing services referred to in section 1 during the period from July 1, 2017 to the day before the date of the Board's first order under subsection 19(3) of the Act.] [NTD: Necessity of this provision to be discussion with the OEB in light of the fact that fees will be recovered as a financing entity expense through the Fair Hydro program and not as part of the fees to be approved by the Board

From:	Carlos Yep
To:	Malle Hanslep (MOF); Tobias P. Whitfield (MOF)
Cc:	Gadi Mayman; Anna Strathy; Mike Manning; Ronald Kwan; Ken Kandeepan; John Kim; James Devine
Subject:	FW: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt
Date:	Thursday, November 30, 2017 12:44:03 PM
Attachments:	Interest Protocol Agreement (OPG 11-29).doc Fair Hydro- Subordinated Notes- Interest Rate Protocol (Draft 11-21c).doc

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Hi Malle,
Last nite, We received the draft Interest Protocol Agreement draft dated Nov29 . This morning the document was forwarded to Shruti Talwar in Energy.

Yes, I have been involved in the spread discussion for the sub/junior-sub debt based in the memo draft of nov21 and one earlier version from Nov7.

If you have any questions, please call x58121 and we can discuss

Regards
Carlos

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, November 30, 2017 12:20 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi

We have not been involved in this to date. Sending it along as it looks like the OFA has had some involvement

Malle

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: WONG Leslie -LAWDIV <leslie.wong@opg.com>
Sent: Thursday, November 30, 2017 12:16
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF)
Cc: LEE John -TREASURY; LIU Sheen -TREASURY; MCAULEY Tyler -LAWDIV; RYFA Ken -TREASURY; PRESTON Stuart -TREASURY
Subject: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Dear Alena and Malle,

Please find attached a draft of the protocol agreement relating to the determination of interest rates on the subordinated and junior subordinated debt to be issued to OPG by the Fair Hydro Trust. Most of this debt will be funded through equity injections by the Province into OPG. OPG's Treasury team has been working with Carlos Yep of the OFA on this agreement. I understand that Alena has previously seen a term sheet setting out the main terms of the agreement.

Let us know if you have any questions or comments on the draft.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com<mailto:leslie.wong@opg.com>

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Subordinated Debt Pricing Protocol Agreement

THIS AGREEMENT is made as of •, 2017

BETWEEN

ONTARIO POWER GENERATION INC., a corporation incorporated under the laws of Ontario ("**OPG**"), solely in its capacity as financial services manager (the "**FSM**") of the Fair Hydro Trust (the "**Issuer**"), a trust existing under the laws of the Province of Ontario

- and -

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, (the "**Province**") as represented by the Minister of Energy

WHEREAS the Issuer and BNY Trust Company of Canada entered into that certain trust indenture (as supplemented from time to time, the "**Trust Indenture**") dated ■, 2017;

AND WHEREAS pursuant to the Trust Indenture the Issuer may issue, from time to time, certain Subordinated Notes and Junior Subordinated Notes;

AND WHEREAS the FSM and the Province have agreed to establish herein the procedures for establishing the interest rate applicable to each Series of Subordinated Notes and Junior Subordinated Notes where such Notes are to be issued only to OPG or its Affiliates;

NOW THEREFORE, in consideration of the premises and the covenants and agreements herein contained, the parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith terms used herein have the meanings ascribed in the Trust Indenture. In addition, the following terms shall have the following meanings:

(a) "**Applicable Spread**" has the meaning ascribed to such term in section 2.04(c);

(b) "**Base Rate**" has the meaning ascribed to such term in section 2.03(a) or (b), as applicable;

(c) "**Junior Subordinated Term Note**" means a Junior Subordinated Note that is not incurred pursuant to a Warehouse Facility Agreement;

(d) "**Junior Subordinated Warehouse Note**" means a Junior Subordinated Note that is incurred pursuant to a Warehouse Facility Agreement;

(e) "**Subordinated Term Note**" means a Subordinated Note that is not incurred pursuant to a Warehouse Facility Agreement; and

(f) "**Subordinated Warehouse Note**" means a Subordinated Note that is incurred pursuant to a Warehouse Facility Agreement.

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof.

ARTICLE 2 - INTEREST RATE PROTOCOLS

2.01 **Interest Rate Protocols**

The interest rate applicable to each Series of Subordinated Notes and Junior Subordinated Notes that are issued only to OPG or its Affiliates shall be established by the FSM in accordance with the procedures set out herein.

2.02 **Composite Interest Rate**

For any Series of Subordinated Notes or Junior Subordinated Notes that are issued only to OPG or its Affiliates, the interest rate shall be the aggregate of the applicable Base Rate and the Applicable Spread.

2.03 **Base Rate**

(a) For Subordinated Term Notes and Junior Subordinated Term Notes, the "Base Rate" shall be an annual rate of interest comprised of the applicable yield for the Benchmark Government of Canada bonds listed at the time and with the same term as that of the Series of Subordinated Notes or Series of Junior Subordinated Notes, as applicable. In the event that there are no such Benchmark Government of Canada bonds listed at the time of issuance, the applicable Base Rate of interest shall be established by interpolating on a straight line basis the terms of the two Benchmark Government of Canada bonds that are closest to the term of the applicable Series of Subordinated Term Notes or Series of Junior Subordinated Term Notes, as applicable, one being for a longer term and the other being for a shorter term; and

(b) For Subordinated Warehouse Notes and Junior Subordinated Warehouse Notes, the "Base Rate" shall be an annual interest rate equal to the all-in funding costs under the related Warehouse Obligations, expressed as a rate per annum, as

determined by the FSM acting reasonably, or at any time when there are no Warehouse Obligations outstanding the "Base Rate" shall be the average of the posted "prime rate of interest" published by the five largest Canadian banks at such time.

2.04 **Applicable Spread**

(a) Prior to the issuance of any new Subordinated Term Notes or Junior Subordinated Term Notes, the FSM will solicit from at least five investment dealers in Canada, a survey of indicative spreads over the applicable Base Rate (collectively, the "**Indicative Spreads**" and each an "**Indicative Spread**") applicable to capital market debt issuances having features comparable to each of the proposed Series of Subordinated Term Notes and Junior Subordinated Term Notes, having regard to the expected credit rating and tenor. Such solicitation of Indicative Spreads shall occur on the pricing date of the applicable Series of Subordinated Term Notes and Junior Subordinated Term Notes and may, at the FSM's option, also occur on other dates selected by the FSM provided that no such date is more than **one week** prior to the pricing date. The Applicable Spread for Subordinated Term Notes or Junior Subordinated Term Notes, as applicable, will be the simple average of the respective Indicative Spreads after excluding the highest and the lowest Indicative Spread for each day (not more than one week prior to the pricing date) that Indicative Spreads were provided;

(b) For Subordinated Warehouse Notes the FSM will solicit from time to time, but no less frequently than on an annual basis, from at least five investment dealers in Canada, a survey of Indicative Spreads over the applicable Base Rate applicable to commercial paper issuances having features comparable to the Subordinated Warehouse Notes including credit rating and tenor. The Applicable Spread for Subordinated Warehouse Notes will be the simple average of the respective Indicative Spreads, after excluding the highest and the lowest Indicative Spread;

(c) The Applicable Spread for Junior Subordinated Warehouse Notes shall be equal to the Applicable Spread derived from Section 2.04(b) for the Subordinated Warehouse Notes, provided the Junior Subordinated Term Notes are rated Investment Grade. If the Junior Subordinated Term Notes are rated below Investment Grade, the Applicable Spread for the Junior Subordinated Warehouse Notes will equal to the Applicable Spread for the Subordinated Warehouse Notes plus 100 bps.

For the purposes of this section "Investment Grade" means an "approved rating" from at least one "designated rating organization" (as such terms are defined for securities law purposes).

2.05 **Credit Ratings**

In order to facilitate the survey of Indicative Spreads, the FSM will solicit from time to time, from an approved rating organization (as such term is defined for securities laws

purposes), a credit rating, which may include a shadow rating, for the Subordinated Notes and the Junior Subordinated Notes.

ARTICLE 3 - GENERAL

3.01 Benefit of the Agreement

This Agreement will enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

3.02 Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and cancel and supersede any prior understandings and agreements between the parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

3.03 Assignment, Amendments and Waivers

No assignment or amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

3.04 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

3.05 Governing Law

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have exclusive jurisdiction to entertain any action arising under this Agreement. The parties hereby attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

3.06 Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

3.07 **Electronic Execution**

Any party may deliver an executed signature page to this Agreement by electronic transmission and such delivery will be as effective as delivery of a manually executed copy of the Agreement by such party.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF the parties have executed this Agreement.

ONTARIO POWER GENERATION INC.
solely in its capacity as Financial Services Manager of the Fair Hydro Trust

Per: _____
Ken Hartwick
Chief Financial Officer and Senior Vice President

Per: _____
John Lee
Vice President- Treasurer

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, as represented by the Minister of Energy

Per: _____
[Name]
[Position]

PROTOCOL DOCUMENT- SUBORDINATED AND JUNIOR SUBORDINATED NOTES

Interpretation	Unless inconsistent with the express terms or provisions hereof, terms used herein have the meanings ascribed in the Trust Indenture (the "**Trust Indenture**") dated as of ●, 2017 between the Fair Hydro Trust, a trust existing under the laws of the Province of Ontario (the "**Issuer**") and BNY Trust Company of Canada, a trust company existing under the laws of Canada (the "**Indenture Trustee**").
Financial Services Manager	The interest rate applicable to each Series of Subordinated Notes and/or Junior Subordinated Notes, shall be established by Ontario Power Generation Inc., acting as financial services manager of the Issuer (the "**FSM**"), in accordance with procedures set out herein.
Interest Rate:	For any Series of Subordinated Notes or Junior Subordinated Notes, the interest rate shall be the aggregate of the applicable Base Rate and the Applicable Spread.
Base Rate:	"Base Rate" means: (a) for Term Notes: an annual rate of interest comprised of the applicable yield for the Benchmark Government of Canada bonds listed at the time and with the same term of such Series of Subordinated Notes or Junior Subordinated Notes, as applicable. In the event that there are no Benchmark Government of Canada bonds listed at the time of issuance with the same term, the rate shall be established by interpolating the terms of the two Benchmark Government of Canada bonds that are closest to the term of the Series of Subordinated Notes or Junior Subordinated Notes, as applicable, one being for a longer term and the other being for a shorter term; and (b) for Warehouse Notes: an annual interest rate equal to the [**all-in annual funding costs under the Warehouse Facility related to the senior tranche, expressed in basis points].**
Applicable Spread:	"Applicable Spread" means the additional interest in basis points over the Base Rate applicable to a particular Series of Subordinated Notes or Junior Subordinated Notes as determined by the FSM applying the procedures set out below: (a) for Subordinated Term Notes and Junior Subordinated Term Notes: the FSM will solicit from time to time, but no less frequently than on a weekly basis, from at least five commercial banks in Canada, a survey of indicative spreads (collectively, the **"Indicative Spreads"** and each an "**Indicative Spread**") applicable to capital market debt issuances having features comparable to each of the Subordinated Term Notes and the Junior Subordinated Terms Notes,

	including credit rating and tenor. The Applicable Spread for Subordinated Term Notes or Junior Subordinated Term Notes, as applicable, will be the simple average of the respective Indicative Spreads after excluding the highest and the lowest Indicative Spread; (b) for Subordinated Warehouse Notes: the FSM will solicit from time to time, but no less frequently than on an annual basis, from at least five commercial banks in Canada, a survey of Indicative Rates applicable to commercial paper issuances having features comparable to the Subordinated Warehouse Notes including credit rating and tenor. The Applicable Spread for Subordinated Warehouse Notes will be the simple average of the respective Indicative Spreads, after excluding the highest and the lowest Indicative Spread; (c) for Junior Subordinated Warehouse Notes: while the Junior Subordinated Term Notes are rated Investment Grade, the Applicable Spread for the Junior Subordinated Warehouse Notes shall be equal to the Applicable Spread derived above for the Subordinated Warehouse Notes. If the Junior Subordinated Term Notes are rated below Investment Grade, the Applicable Spread for the Junior Subordinated Warehouse Notes will equal to the Applicable Spread for the Subordinated Warehouse Notes plus 100 bps. For the purposes of this section "Investment Grade" means a credit rating from DBRS above or equal to "BBB low", or from Moody's above or equal to "Baa3".
Credit Rating	In order to facilitate the survey of Indicative Interest Rates, the FSM will solicit from time to time from DBRS and/or Moody's a credit rating, which may include a shadow rating for the Subordinated Notes and the Junior Subordinated Notes.

From:	Bonnie Lemcke
To:	Anna Strathy
Subject:	FW: Fair Hydro Trust Presale report
Date:	Wednesday, January 31, 2018 11:37:19 AM
Attachments:	DBRS Fair Hydro Trust Presale Report.pdf

In case you need this.

Bonnie

From: David Cross
Sent: Wednesday, January 31, 2018 11:37 AM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: FW: Fair Hydro Trust Presale report

From: Paul Le Bane [mailto:plebane@dbrs.com]
Sent: Wednesday, January 31, 2018 11:35 AM
To: David Cross <David.Cross@ofina.on.ca>
Subject: RE: Fair Hydro Trust Presale report

Hi David,

Here is the presale report. This was handled by our Structured Finance unit. If you have any questions, feel free to reach out to Tim O'Neil (toneil@dbrs.com).

Regards,

Paul

Paul LeBane, CFA
Vice President, Public Finance
Global Corporates

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plebane@dbrs.com
http://www.dbrs.com

From: David Cross [mailto:David.Cross@ofina.on.ca]
Sent: Wednesday, January 31, 2018 11:27 AM
To: Paul Le Bane <plebane@dbrs.com>
Subject: Fair Hydro Trust Presale report

Hi Paul,

Would you be able to send us a copy of the Fair Hydro Trust Presale Report?

Thanks,
David

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Presale Report

Fair Hydro Trust

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DBRS

Insight beyond the rating.

Rating Summary

Debt	Rating	Rating Action	Trend
•% Senior Notes due May 15, 2033, Series 2018-1 (the 2018-1 Senior Notes)	AAA (sf)	New Rating – Provisional	–
•% Subordinated Notes due May 15, 2033, Series 2018-1 (the 2018-1 Subordinated Notes)	AA (sf)	New Rating – Provisional	–
•% Junior Subordinated Notes due May 15, 2033, Series 2018-1 (the 2018-1 Junior Subordinated Notes)	A (sf)	New Rating – Provisional	–

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Structure Summary

Class Description 1	Amount	Coupon	Frequency 2	Expected Maturity Date	Principal Payment Default Date 3
2018-1 Senior Notes	$•	•%	Semi-Annual	May 15, 2033	May 15, 2035
2018-1 Subordinated Notes	$•	•%	Semi-Annual	May 15, 2033	May 15, 2035
2018-1 Junior Subordinated Notes	$•	•%	Semi-Annual	May 15, 2033	May 15, 2035

1 Includes the 2018-1 Senior Notes, 2018-1 Subordinated Notes and 2018-1 Junior Subordinated Notes (collectively, the 2018-1 Notes).
2 Payment frequency will become monthly to the extent that the Series 2018-1 Notes are not fully repaid by the Expected Maturity Date.
3 The Principal Payment Default Date is set two years after the Expected Maturity Date of the 2018-1 Notes.

Rating Considerations

Strengths

1. **Repayment by a large and diversified ratepayer base**
2. **Non-bypassability**
3. **Regulated electricity market in Ontario**
4. **True-up mechanism**
5. **Low historical charge-off rates**

Challenges

1. **Change of law**
2. **Moratorium period**
3. **Off-the-grid risk**
4. **Electricity consumption forecast error**
5. **Operational risk**
6. **Repayment after an Event of Default**

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Transaction Parties and Relevant Dates

Issuer	Fair Hydro Trust (FHT or the Trust)
Issuance Amount	$•
Transferor	Independent Electricity System Operator (IESO; rated A (high) with a Stable trend by DBRS)
Servicer	IESO
Indenture Trustee	BNY Trust Company of Canada
Manager	Ontario Power Generation Inc. (OPG; rated A (low) with a Stable trend by DBRS)
Limited Guarantee Provider	Province of Ontario (Ontario or the Province; rated AA (low) with a Stable trend by DBRS)
Collateral	The collateral is an Investment Interest that is an irrevocable property right consisting of the right to impose, invoice, collect, receive and recover the Clean Energy Adjustment (CEA) from Specified Consumers in accordance with the *Ontario Fair Hydro Plan Act, 2017* (FHPA) and the regulations promulgated under the FHPA (the Regulations). Until July 31, 2021, all Carrying Costs of the Trust will be paid by the IESO as mandated under the Regulations. Carrying Costs paid by the IESO will be recorded in its Regulatory Asset variance account and could be recovered by transferring the variance balance to the Trust.
Structure	The 2018-1 Notes will accrue fixed rates of interest payable on a semi-annual basis until the earlier of (i) an acceleration event or (ii) the Expected Maturity Date, and monthly thereafter. A portion of collections will be accumulated monthly beginning January 15, 2030, to repay principal on the 2018-1 Notes in full on the Expected Maturity Date. Until July 31, 2021, proceeds from the IESO will be used to pay interest on the 2018-1 Notes. After July 31, 2021, interest payments and repayment of the 2018-1 Notes will be made from CEAs collected from Specified Consumers.
Credit Enhancement	**True-Up Amount** The true-up amount is determined semi-annually, and more frequently if required, to recover any shortfalls from prior periods. Shortfalls from prior periods may occur as a result of various factors such as lower-than-expected consumer demand for electricity (forecast error) or higher than expected consumer defaults and delinquencies. Anticipated shortfalls and differences in future periods are also included in the true-up amount. The amount is collected through the CEA invoiced monthly to Specified Consumers beginning in May 2021. **Subordination (2018-1 Senior Notes: 49.0%; 2018-1 Subordinated Notes: 10.0%)** The 2018-1 Senior Notes benefit from 49.0% of subordination provided by the 2018-1 Subordinated and 2018-1 Junior Subordinated Notes. However, the Trust is permitted to reduce the subordination to a floor of 35.0% in the future. 2018-1 Subordinated Notes benefit from 10.0% of subordination provided by the 2018-1 Junior Subordinated Notes. **IESO Cash Reserve Account (Temporary; 0.50% + 3 Months of Carrying Costs)** Prior to April 30, 2021 (the end of the Moratorium Period), the IESO is obligated to deposit into the IESO Cash Reserve Account an amount equal to the sum of 0.50% of the total 2018-1 Notes outstanding as at April 15, 2021, plus three months of expected Carrying Costs on all such Notes and any new Notes to be issued during this period (from May 2021 to July 2021). On each Payment Date on or after November 2021, amounts in the IESO Cash Reserve Account will be applied to pay interest on the Notes to the extent that the remaining balance of the IESO Cash Reserve Account plus the Program Cash Reserve Account exceeds 0.50% of the total Notes outstanding. **Program Cash Reserve Account (0.50%)** After the Moratorium Period, a portion of the CEAs invoiced and collected from Specified Consumers will be used to fund the Program Cash Reserve Account in the waterfall. The Program Cash Reserve Account will be funded up to 0.50% of the total 2018-1 Notes outstanding.
Lead Agents	CIBC World Markets Inc.; Goldman Sachs Canada, Inc.; and RBC Dominion Securities Inc.
Counsel to the Issuer	Torys LLP
Counsel to DBRS	Internal
Expected Closing Date	February •, 2018

Rating Summary

DBRS Limited (DBRS) assigned provisional ratings of AAA (sf) to the 2018-1 Senior Notes, AA (sf) to the 2018-1 Subordinated Notes and A (sf) to the 2018-1 Junior Subordinated Notes, all of which are expected to be issued on the Closing Date. The ratings are based on the following factors related to the legislative and regulatory framework, the electricity industry in Ontario, the transaction structure and the Specified Consumers:

Legislative and Regulatory Framework

- Non-bypassability of the CEA that will be invoiced to the Specified Consumers.
- The roles and responsibilities designated under the FHPA to execute the Fair Hydro Plan.
- Limited Guarantee provided by the Province under the Change of Law Protection Agreement.
- IESO's obligation to pay Carrying Costs of the Trust until July 31, 2021.
- The true-up amount that allows the Trust to recover shortfalls from prior periods and anticipated shortfalls in a future period.

Electricity Industry in Ontario

- Ontario's highly regulated electricity industry that is planned and managed by the Ontario Ministry of Energy.
- Oversight by the Ontario Energy Board (OEB) of all licenced market participants, including transmission companies and Electricity Vendors.
- Strong payment record by Electricity Vendors to the IESO, resulting in no payment defaults experienced historically.
- Electricity rate-setting process for regulated price plan consumers that is conducted every six months by the OEB based on the most recent consumption forecasts prepared by the IESO.
- Periodic long-term energy plans produced by Ontario's Ministry of Energy that ensure that the energy demands of the Province will be met by its electricity grid in a cost-effective manner over the long term. The most recent plan was produced in 2017.

Transaction Structure

- The payment priorities of the 2018-1 Senior Notes, 2018-1 Subordinated Notes and 2018-1 Junior Subordinated Notes pursuant to the transaction waterfall.
- Subordination available to the 2018-1 Senior Notes and 2018-1 Subordinated Notes.
- Letter of credit from a provider that satisfies the Rating Agency Condition (RAC) or a performance guarantee or such other form of security that is acceptable to the Trust and that satisfies RAC available to mitigate the commingling risk of Electricity Vendors that are unrated or non-investment-grade rated by DBRS.
- IESO Cash Reserve Account and Program Cash Reserve Account available to provide additional liquidity to the transaction.

Specified Consumers

- Approximately 5.05 million customers diversified across Ontario primarily consisting of residential customers, small businesses and farms.
- Low levels of customer delinquencies historically experienced despite high electricity rates relative to the rest of Canada.
- Specified Consumers do not include industrial customers.
- Potential decline in Specified Consumers because of customers leaving Ontario's electricity network.

Rating Considerations

Strengths

1. Repayment by a large and diversified ratepayer base

The Specified Consumers from which CEA amounts will be collected represent a large and diversified group of ratepayers in Ontario. Specified Consumers — which generally include residential consumers, small businesses and farms — total approximately 5.05 million as at the end of 2016. Ontario is the largest province by population and is one of the main hubs of economic activity in Canada. The Province is an attractive place for Canadians to live, increasing the likelihood of the ratepayer base growing in the future. Ratepayer representation from the entire Province helps mitigate potential shortfalls in collections because of unanticipated events (such as weather or economic downturns) occurring in regional areas. Ratepayers in Ontario have also demonstrated a strong track record of paying their hydro bills on time despite having the highest electricity rates in Canada.

2. Non-bypassability

The CEA invoiced under the FHPA will be irrevocable and may not be set off or bypassed by residential and small commercial customers by the OEB. The non-bypassability of the charge ensures that the repayment of the 2018-1 Notes will be shared among nearly all residential consumers as well as small businesses and farms in Ontario. Currently, there are approximately 5.05 million electricity consumers that are classified as Specified Consumers. All Specified Consumers would be required to make payment on the CEA amount invoiced, and such amount would be listed as a separate line item on their monthly utility bill.

3. Regulated electricity market in Ontario

All participants in the Ontario electricity market — including generation, transmission and distribution companies — operate under the guidance or regulations set out by the Ministry of Energy, the IESO and the OEB. Industry participants are required to operate with licences granted by the OEB, and such licences could be revoked if certain performance standards are not met. The regulated nature of the industry increases operational consistency and efficiency among all participants and improves the coordination of industry initiatives. More importantly, it ensures full participation from all market participants in carrying out their respective roles and responsibilities as set out in the FHPA.

4. True-up mechanism

True-up amounts are permitted under the FHPA to recover any shortfall in collections from prior periods. As the amount of CEAs collected could be affected by factors such as energy consumption and delinquency rates, there would likely be deviations between actual collections and expected collections in each Reference Period (each six-month period from November 1, 2017, to April 30, 2047, or a later date prescribed by the Regulations). The true-up amount allows shortfalls from prior periods to be recovered in a subsequent period. As long as there are 2018-1 Notes outstanding, the true-up amount is determined for each Reference Period (or more frequently, if necessary) and is factored into the CEA invoiced to Specified Consumers. The calculation for each true-up amount includes amounts that were not received from prior periods and other anticipated shortfalls going forward. If there were over-collections from prior periods, the true-up amount could result in a reduction in CEA amounts invoiced.

5. Low historical charge-off rates

As electricity is a basic necessity, the historical charge-off rates from customers are very low. For instance, charge-off rates from Toronto Hydro Corporation (Toronto Hydro; rated "A" with a Stable trend by DBRS) customers have been in the range of 0.19% to 0.35% from 2010 to 2016. Write-offs may not result in a shortfall in overall collections, as anticipated delinquencies/charge-offs are incorporated in the electricity rate-setting process. Electricity rates are grossed up by the amount of delinquencies/charge-offs that are expected such that, on a net basis, actual collections received are sufficient to repay all providers in the electricity market. Shortfalls arising because of higher-than-projected delinquencies/charge-offs are included in the next period's true-up amount, thereby limiting the cumulative effect of delinquency and loss rates typical in other consumer-backed securitizations.

Challenges

1. Change of law

The 30-year horizon of the FHPA introduces some uncertainty regarding the longevity of the legislation. Support from Provincial leaders may change over time, which could lead to the repeal of, and/or amendments to, the legislation. There may also be fundamental changes to how the electricity industry in Ontario operates in the future. Such changes may impair the ability to receive CEA amounts from Specified Consumers and, ultimately, have an adverse effect on the Trust's ability to recover its Investment Interest. A Limited Guarantee is provided by Ontario to address these risks. To the extent that a Protection Event (Appendix 3) occurs, the Province is required to make payments in respect of the 2018-1 Notes as they become due and payable. If the Limited Guarantee is exercised, DBRS expects the credit ratings on the 2018-1 Notes may change, as the repayment of the 2018-1 Notes would be subject to the risk of Ontario at that time. However, given that the Province has provided a Limited Guarantee, DBRS considers the change-of-law risk to be reduced, as a change would result in the 2018-1 Notes becoming a liability to the Province.

2. Moratorium period

Under the FHPA, no CEA amounts can be invoiced and collected from Specified Consumers between July 1, 2017, and April 30, 2021 (the Moratorium Period). During this period and extending to July 31, 2021, the IESO, as outlined in the FHPA, will be obligated to make payments on all Carrying Costs of the Trust, including interest payments on the 2018-1 Notes. As the IESO will be the sole source of funds, payments made during the Moratorium Period will be subject to the counterparty risk of the IESO (rated A (high) with a Stable trend by DBRS as at March 8, 2017). Though the credit rating of the IESO may change over time, it has secured a $2.0 billion credit facility until 2022, which may be used to support its obligation to pay Carrying Costs. As an additional mitigant against payment risk, the IESO has granted the Trust a first-priority security interest in all of its accounts receivable. To the extent that the IESO defaults on its obligation to pay Carrying Costs, funds available in its accounts receivable can be drawn. Amounts in such accounts include payments to the IESO from local distribution companies (Electricity Vendors), which totalled approximately $17.5 billion in 2017.

3. Off-the-grid risk

A reduction in the number of Specified Consumers could result in a shortfall of collections and/or delay the repayment period of the 2018-1 Notes. Specified Consumers who leave the Province or switch to self-generation of electricity without using Ontario's transmission or distribution system would not be subject to CEA amounts in the future. It would increase the debt burden on the remaining customers as their share of the CEA amounts would increase. This could increase the level of delinquencies and potentially encourage the remaining customers to search for self-generation alternatives, which would further reduce the Specified Consumer base. Various factors, including, but not limited to, an economic downturn in Ontario and technological advancements in self-generation solutions, would increase the off-the-grid risk. As Specified Consumers consists of primarily residential customers, the risk of customers leaving the Province is lower relative to programs that include industrial customers. Currently, co-generation of electricity, such as the use of solar panels, is used in some households to supplement electricity demands, but households that are self-sufficient without any reliance on the Province's electricity are limited. Solar panels, for example, do not yield enough electricity to support an average household's energy consumption given the amount of space available in an average home. The yield also decreases during the winter months as sunlight in Ontario is significantly reduced. Technological improvements in self-generation will occur; if customers are able to leave the grid completely, then remaining customers will be obligated to pay for an increased share.

4. Electricity consumption forecast error

Actual electricity consumption may be different from forecast amounts, leading to a change in expected cash flows. Electricity consumption is affected by a variety of factors, including weather patterns, economic conditions, the number of customers and the electricity demand from each customer. Any unexpected changes in these factors would result in deviations from the amounts forecast. In cases where electricity consumption is lower than forecast, there would be a shortfall in collections in the given period. Forecast variances are mitigated by the periodic re-forecasting of electricity consumption and the true-up feature available in the FHPA. In Ontario, electricity consumption is re-forecast every six months to ensure that any changes in the underlying assumptions are reflected for the subsequent period. It is expected that if there is a long-term decline in electricity consumption, then electricity rates would increase as a result to recover the shortfall. Increasing the electricity rates, however, may lead to more customers leaving the grid. This is partly mitigated by the periodic long-term energy plan produced by the Ministry of Energy. The plan outlines the

Province's strategy to ensure the energy demands of the Province will be met by its electricity grid in a cost-effective manner over a longer horizon. If there is a permanent decline in electricity usage, then certain generation facilities in the Province would be retired to lower the overhead costs of the electricity grid.

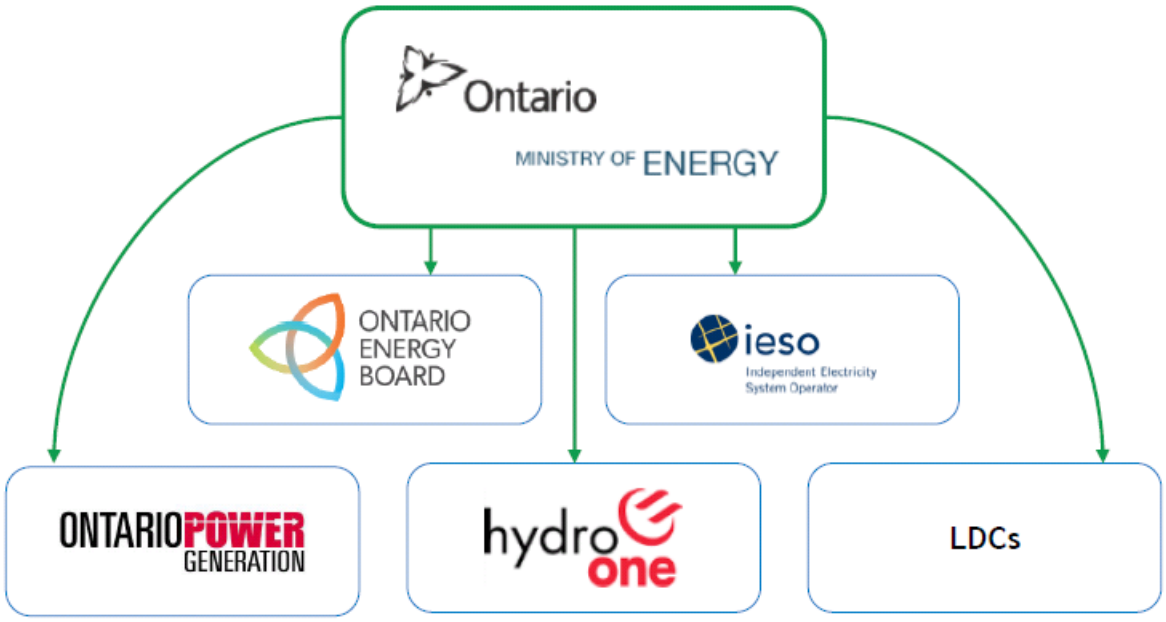
5. Operational risk

The success of the FHPA relies on the performance of many participants in the electricity market in Ontario. As the FHPA is new, many of the processes that need to be performed have been developed recently or will be developed over time. More importantly, the process for determining, invoicing and collecting CEA amounts will not be implemented until the Moratorium Period has ended. As a result, it is currently difficult to assess the performance of the IESO and the Electricity Vendors with respect to such process. The FHPA, however, clearly outlines the roles and responsibilities of each party to ensure that there is accountability for every aspect of the program. There are also deadlines stating when certain processes need to be completed and implemented. Additionally, regular audits will be conducted to ensure the program is operating within expectations.

6. Repayment after an Event of Default

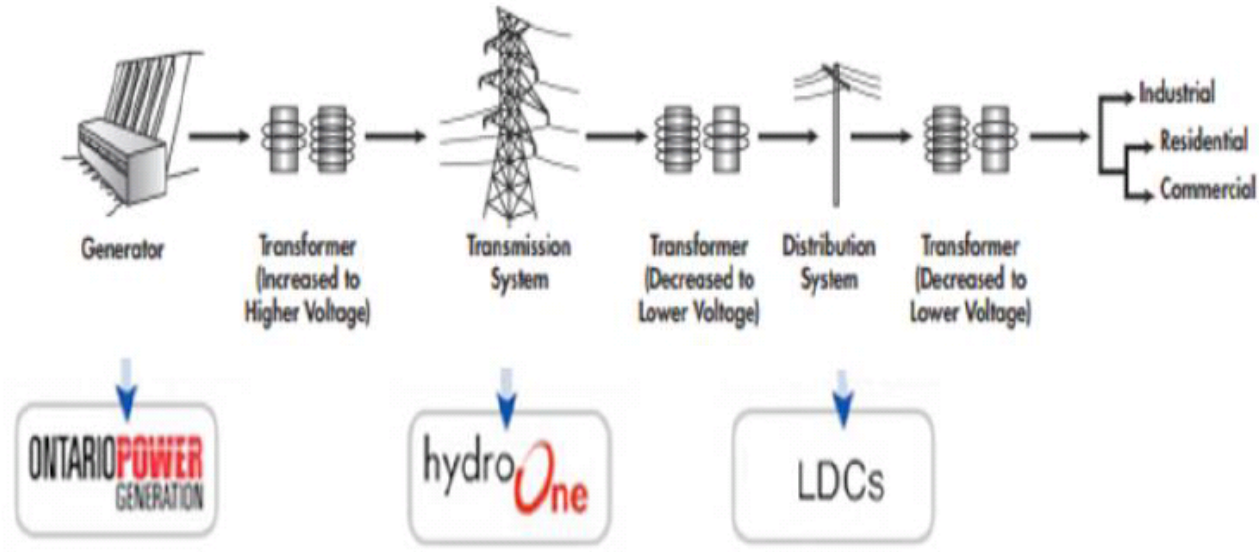
An occurrence of an Event of Default leading to the acceleration of Notes issued by FHT could significantly affect the repayment period of the Notes. In some cases, only certain series of Notes will be accelerated or all series of Notes will be accelerated. Upon the occurrence of an Event of Default, in most instances, the acceleration of all series of Notes issued by FHT requires majority approval from the controlling class Noteholders at the time (holders of the Senior Funding Obligations until paid in full, then holders of the Subordinate and Junior Subordinate Funding Obligations, respectively). If all Notes are accelerated, then each class of Notes will be repaid in the order of the Senior Notes (with priority given to the warehouse Noteholders), Subordinated Notes and Junior Subordinated Notes, and Noteholders of each class would rank pari passu with Noteholders of the same class from different series. Under this scenario, the expected repayment of each class of notes would likely be delayed. As no principal will be repaid on the Subordinated Notes until all the Senior Notes are repaid and no principal will be repaid on the Junior Subordinated Notes until all the Subordinated Notes are repaid, there will be much longer delays in receiving principal repayments for such classes. The amount charged to Specified Consumers in an acceleration is capped based on what is available under the Fair Allocation Amount (the FAA).

Ontario Electricity Market



Source: OPG.

The Ontario electricity industry is highly regulated and comprises three key components: generation, transmission and distribution.



Source: OPG.

Generation relates to the production of electricity from various forms of energy such as wind, solar, hydropower, natural gas and nuclear. OPG is the largest power generator in Ontario, accounting for approximately 50% of the total energy generated and injected into Ontario's electricity transmission system in 2016. Its generation facilities utilize various forms of energy such as nuclear, hydroelectric, thermal (biomass and natural gas) and wind power.

Transmission companies in Ontario's electricity system transfer electricity from generation facilities (high voltage) to local areas (low voltage). Hydro One Inc. (Hydro One; rated A (high) with a Stable trend by DBRS) is the largest transmitter in Ontario; it owns and operates 96% of the transmission lines. Its footprint spans across the Province, transferring energy over large distances to bring electricity to various local regions.

Distribution acts as the final component to deliver electricity to local homes and businesses in Ontario. It is delivered by Electricity Vendors that operate regionally in their designated service territory. Currently, there are 65 Electricity Vendors servicing approximately 5.05 million residential and small commercial customers. Total revenue of the 65 Electricity Vendors was $18.89 billion in 2016 with 116.11 billion kilowatt hours (kWh) of energy consumed.

At the centre of Ontario's electricity system is the IESO, which is responsible for ensuring there is sufficient power generated to meet demand in real time. The IESO is also responsible for collecting payments from Electricity Vendors for the purchase of power and redistributing such amounts to transmission and generation companies accordingly. Approximately $17.5 billion of payments are settled through the IESO annually.

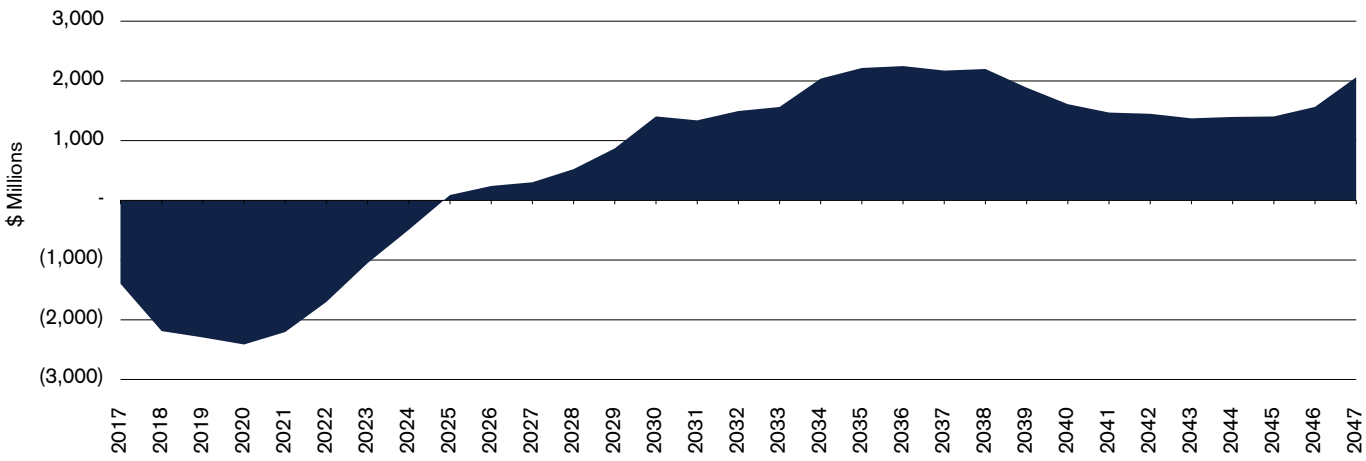
Ontario Fair Hydro Plan Act, 2017

On June 1, 2017, the Ontario government passed the FHPA, which is legislation that reallocates certain electricity infrastructure costs over a 30-year period according to the Fair Allocation Amount (FAA) and provides immediate rate relief to Specified Consumers. As a result, Specified Consumers will receive an approximate 25% reduction in their hydro bills from July 1, 2017, to April 30, 2018. The FHPA limits any rate increases from May 1, 2018, to April 30, 2019, to the rate of inflation. Though not set out in the FHPA, the Ontario government has indicated that future rate increases will be limited to the rate of inflation until 2021. The 25% bill reduction includes the 8% harmonized sales tax rebate that was granted at the beginning of 2017, resulting in a net reduction of 17% from the implementation of the FHPA. Specified Consumers are primarily residential customers but also include small businesses and farms in Ontario (see Appendix 1).

Fair Allocation Amount

The FAA is the Ontario Ministry of Energy's reallocation of estimated clean energy costs (including Carrying Costs of the Trust) payable by Specified Consumers over all Reference Periods based on the estimated clean energy benefits to those Specified Consumers. In addition, to recognize the overpayment of clean energy costs in the past by Specified Consumers, a readjustment amount was determined and incorporated in the FAA (shown in Exhibit 1). The FAA may be updated from time to time by the Ministry of Energy.

Exhibit 1: Fair Allocation Amount

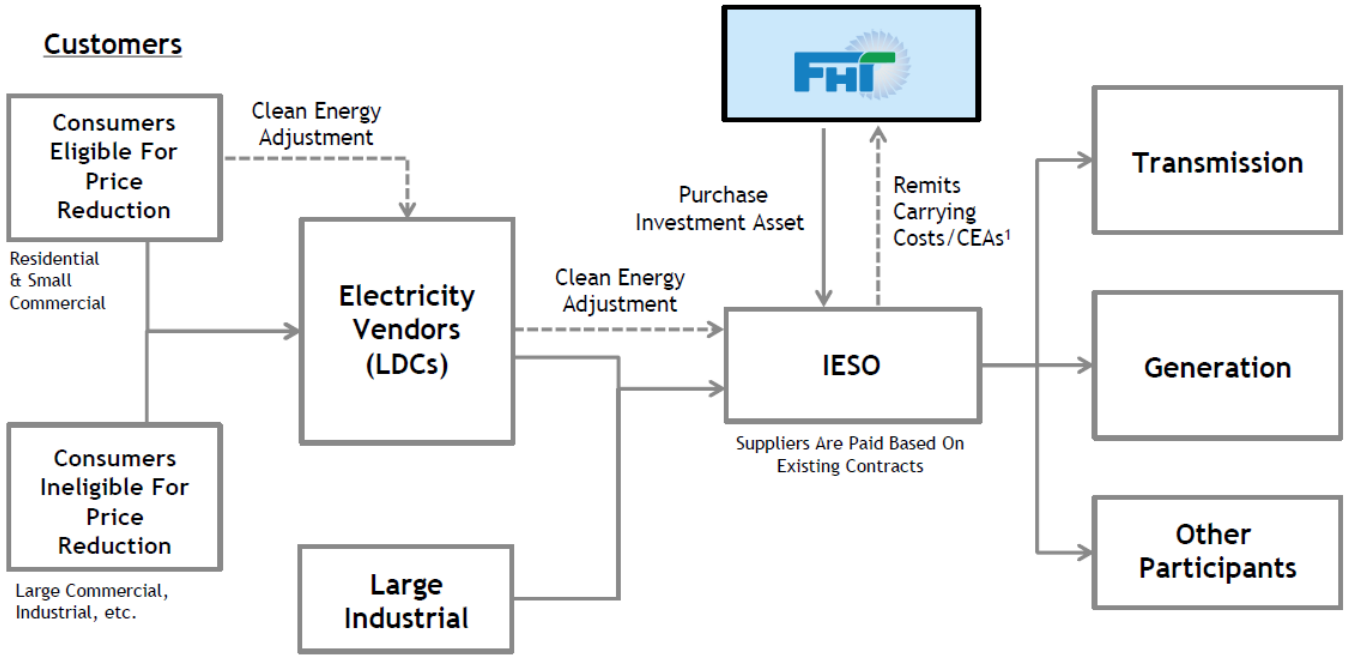


Source: Minister of Energy.

Key Roles and Responsibilities under the FHPA

Entity	DBRS Rating	Role and Responsibility
OPG	A (low)	OPG is the Manager of the Trust and has accepted all powers and duties of managing the Trust. Its duties include, but are not limited to, negotiating and executing program documents, preparing periodic documents required under funding agreements, calculating the true-up amounts and performing (or cause to be performed) audits on Electricity Vendors with respect to CEAs. OPG will also determine how and when future funding obligations of the Trust will be incurred. After the Moratorium Period, OPG will provide to the OEB the amount of CEAs that need to be collected to pay estimated financing costs of the Trust for each Reference Period. As compensation for its services provided, OPG will be entitled to a management fee from the Trust.
IESO	A (high)	The IESO is the Transferor and Servicer of the Trust. As Transferor, the IESO may offer, no more frequently than monthly, to transfer the Regulatory Asset to the Trust in exchange for a cash purchase price equivalent to the amount transferred. As Servicer, the IESO is required to service the Investment Interest by collecting CEA amounts from Electricity Vendors and remitting such amounts to the Trust. In addition, the IESO will forecast electricity consumption and provide its forecast to the OEB to forecast electricity consumption of Specified Consumers in each Reference Period. Until July 31, 2021, IESO will be obligated to make payments on all Carrying Costs of the Trust. Any Carrying Costs paid by the IESO will be added to its Regulatory Asset variance account, which could be transferred to the Trust for recovery.
Electricity Vendors	Ten of the 65 Electricity Vendors in Ontario have credit ratings from at least one of DBRS, Moody's and Standard & Poor's with an investment-grade credit rating.	Each Electricity Vendor will be responsible for invoicing Specified Consumers' CEA amounts as determined by the OEB. CEA amounts collected will be deposited into segregated accounts until remitted to the IESO.
OEB	N/A	The OEB is responsible for determining the CEA rates that will be invoiced to Specified Consumers, as expressed in $/kWh. The volumetric rate for each Reference Period will be calculated based on the aggregate CEA amount required as estimated by OPG and the electricity consumption forecast from the IESO.
Ontario	AA (low)	The Province, through the Ministry of Energy, sets the policy for the electricity system in Ontario. Under the FHPA, Ontario will provide a Limited Guarantee on the Notes. The Limited Guarantee provides assurance to Noteholders that upon the occurrence of a Protection Event, the Province will make payments on the Notes on behalf of the Trust as amounts become due and payable.

Fair Hydro Trust



Source: OPG.

FHT is a bankruptcy-remote trust established by OPG to finance the rate reductions (the Fair Adjustments) contemplated under the FHPA. The rate reductions will be financed through the issuance of the Senior, Subordinated and Junior Subordinated Notes by FHT. The Notes issued by FHT will be repaid through CEA amounts received from Specified Consumers.

Each month, the IESO will determine the total shortfall as a result of the Fair Adjustments, and together with the costs of financing the shortfall, it will record the combined amount in a variance account. As set out in the FHPA, the IESO has the right to recover the balance recorded in the variance account from Specified Consumers, and such right is the Regulatory Asset. The IESO may transfer portions of the Regulatory Asset to the Trust in exchange for a cash purchase price equivalent to the amount recorded in the variance account. The Trust has no obligation to purchase the Regulatory Asset from the IESO. If a transfer takes place, then such transfer will result in the creation of a current and irrevocable property right that is immediately vested in the Trust (an Investment Interest). As a result, the Trust will be entitled to recover all of its financing costs and acquires the right to impose, invoice, collect, receive and recover CEAs from Specified Consumers.

Clean Energy Adjustments

CEAs are the amounts that will be payable by Specified Consumers to repay the Fair Adjustments together with the associated financing costs, including payment of principal, operating costs of the Trust and funding of reserve accounts. Commencing in May 2021, it will be invoiced to Specified Consumers as a separate line item on their monthly hydro bills that represents the amount of the consumers' indebtedness and may not be set off or bypassed.

CEA amounts will be invoiced to Specified Consumers beginning May 2021 and ending April 2047 or such later date as may be prescribed by the Regulations. The total amount of CEA that can be invoiced in each Reference Period is bound by the FAA set by the Ministry of Energy. In general, CEAs invoiced to Specified Consumers in each Reference Period will be equal to the estimated finance amount. The finance amount consists of mainly principal payments, interest costs, Trust expenses and taxes, reserve account deposits and derivative payments payable in the related Reference Period. If there were shortfalls in collection from prior periods, then a true-up amount will be added to the CEA.

True-Up Amount

A true-up amount is determined semi-annually, and more frequently if required, to recover any shortfalls from prior periods. Shortfalls from prior periods may occur because of various factors, such as higher than expected consumer defaults and delinquencies and forecast errors. Anticipated shortfalls and differences in future periods are also included in the true-up amount. The amount is included in the CEA invoiced to Specified Consumers.

Moratorium Period (July 1, 2017, to April 30, 2021)

Under the FHPA, no CEAs are permitted to be invoiced and collected from Specified Consumers from July 1, 2017, to April 30, 2021. During the Moratorium Period and until July 31, 2021, the IESO will be obligated to pay all Carrying Costs of the Trust. Carrying Costs include all funding costs (such as interest on the Notes) and other expenses of the Trust besides repayment of principal on any debt obligations. To recover Carrying Costs, the IESO will record amounts paid in its Regulatory Asset variance account, which may be transferred to the Trust for cash proceeds, as described in the Fair Hydro Trust section.

The IESO is rated A (high) with a Stable trend by DBRS as at March 2017. To satisfy its obligation to pay Carrying Costs, the IESO has secured a $2.0 billion credit facility from the Ontario Financing Authority that can be drawn to make payments to the Trust. In addition, 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. To the extent that the IESO defaults on its obligation to pay Carrying Costs, funds available in its accounts receivable can be drawn. Amounts in such accounts include payments to the IESO from Electricity Vendors, which totalled approximately $17.5 billion in 2017. If a deficiency remains after drawing from its accounts receivable, the IESO remains obligated to make payment using other means available.

At the end of the Moratorium Period, the IESO will be obligated to provide a temporary cash reserve account, as described in the Credit Enhancement section. In addition, it will provide the Trust with a letter of credit from a provider that satisfies RAC or a performance guarantee or such other form of security that is acceptable to the Trust and that satisfies RAC available to mitigate the commingling risk of Electricity Vendors that are unrated or non-investment-grade rated by DBRS.

Series 2018-1 Notes

Capital Structure	Size	% of Total Notes	Expected Maturity Date	Principal Payment Default Date	Rating
2018-1 Senior Notes	$•	51.0%	May 15, 2033	May 15, 2035	AAA (sf)
2018-1 Subordinated Notes	$•	39.0%	May 15, 2033	May 15, 2035	AA (sf)
2018-1 Junior Subordinated Notes	$•	10.0%	May 15, 2033	May 15, 2035	A (sf)

The Series 2018-1 Notes will be bullet notes with interest payable on a semi-annual basis until the earlier of (i) an acceleration event or (ii) the Expected Maturity Date, and monthly thereafter. The 2018-1 Notes will be denominated in Canadian dollars with fixed rates of interest. Principal amounts will be accumulated monthly beginning on January 15, 2030, to repay the 2018-1 Notes in full on the Expected Maturity Date.

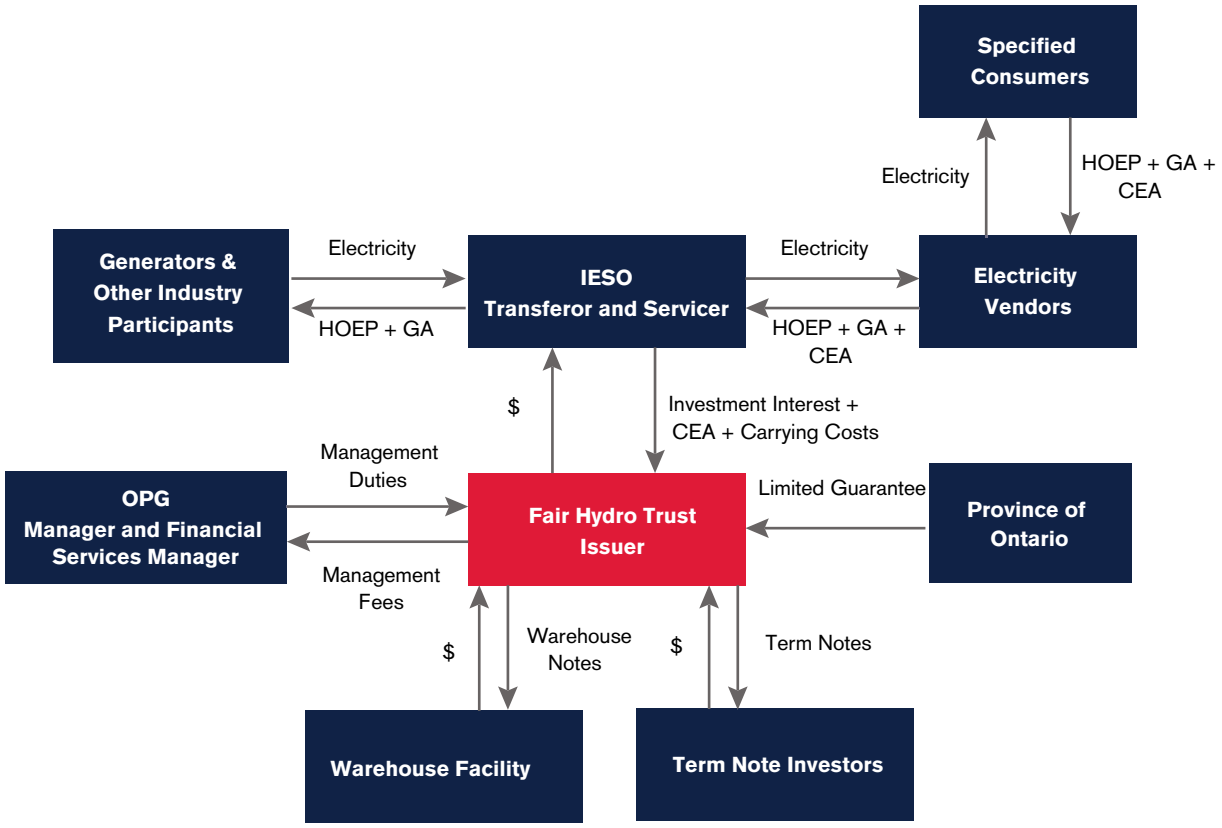
Available funds in each collection period will be applied via a shared waterfall among all series of Notes issued by the Trust. Prior to an Event of Default, amounts allocated to Noteholders will be first applied to pay interest costs, with payments to the Senior Notes ahead of the Subordinated and Junior Subordinated Notes and payments to the Subordinated Notes ahead of the Junior Subordinated Notes. Following the application of interest payments, principal repayment will be applied according to the principal payment dates of each series, and such amounts would follow the same payment priority as interest except that principal on the warehouse is given priority relative to other senior debt.

If an Event of Default occurs, then some series or all series of Notes outstanding at the time may be accelerated. Acceleration of some or all series of Notes, other than an insolvency of the Trust or if the Limited Guarantee ceases to be in full force and effect, will be subject to majority approval from the controlling class of Noteholders. In either case, interest amounts will be paid in the same priority as prior to the occurrence of an Event of Default. However, repayment of principal will take into consideration the series

of Notes that have been accelerated as well as the principal payment dates of the non-accelerated series of Notes outstanding. If all series of Notes outstanding are accelerated upon the occurrence of an Event of Default, then repayment of principal on all series of Notes outstanding will be repaid sequentially starting with the Senior Notes (with priority given to the warehouse facility), followed by the Subordinated Notes and, finally, the Junior Subordinated Notes. Since all Notes will be accelerated and Noteholders of the same class would rank pari passu, the Expected Maturities of each series will be significantly affected. Repayment of principal on the Subordinated Notes and Junior Subordinated Notes will experience longer delays, as they will not be repaid until more senior ranking classes are fully repaid.

For more information on the payment waterfall, please see the Payment Waterfall Prior to Acceleration and Payment Waterfall Upon Acceleration sections in the Offering Memorandum. Events of Default are listed in Appendix 2.

Transaction Structure



Limited Guarantee

Pursuant to the Change of Law Protection Agreement, upon a Protection Event, the Province, after delivery of a payment demand by the Indenture Trustee, is required to pay the 2018-1 Notes as they become due and payable (the Limited Guarantee).

The Limited Guarantee is in place to protect investors under this program in the event of a change in the FHPA and/or if related regulations are amended or repealed, thereby impairing the Trust's ability to receive amounts in respect of its Investment Interests (a Protection Event; Appendix 3). The Limited Guarantee reduces the risk of amendment or repeal of the program, as it would have the effect of transferring the liability of the Notes to the Province. However, if a Protection Event occurred, then the credit ratings on the Notes would be affected as the Notes will be repaid by Ontario to the extent that they are not repaid from CEA collections invoiced to Specified Consumers.

Commingling Risk of the IESO and Electricity Vendors

IESO, as Servicer, is permitted to remit CEA amounts collected to the Trust on a monthly basis prior to the occurrence of a Daily Remittance Event. If there is an occurrence of a Servicer Default (Appendix 4) or if the IESO is rated below investment grade, it would constitute an occurrence of a Daily Remittance Event requiring the IESO to remit collections within two business days of receipt.

After the Moratorium Period, CEAs will be invoiced to Specified Consumers and collected by Electricity Vendors. The collections held by the Electricity Vendors, though deposited in segregated accounts, may be subject to commingling risk until they are remitted to the IESO. To mitigate such commingling risk, the IESO will provide to the Trust a letter of credit from a provider that satisfies RAC or a performance guarantee or such other form of security that is acceptable to the Trust and that satisfies RAC available to mitigate the commingling risk of Electricity Vendors that are unrated or non-investment-grade rated by DBRS. If a letter of credit is provided, it will be in an amount that is equal to 50% of expected collections from unrated or non-investment-grade-rated Electricity Vendors by DBRS.

The letter of credit amount will be determined using the following formula:

$$\left(\frac{A}{B}\right) \times C \times \left(\frac{D}{365}\right) \times E$$

Where A, B, C, D and E are as follows:
A = For the most recently completed 12-month period, the aggregate amount of energy consumed by Specified Consumers of all non-investment-grade-rated electricity vendors.

B = For the same 12-month period used for A, the aggregate amount of energy consumed by all Specified Consumers.

C = For the most current 12-month forecast period available, the CEA amounts estimated to be payable by all Specified Consumers.

D = 45, representing the estimated number of days that total CEA amounts are expected to be held by Electricity Vendors, or such other number as mutually agreed to in writing by the Trust and the IESO and that satisfies RAC.

E = 0.50 or another value as mutually agreed to in writing by the Trust and IESO and that satisfies RAC.

Currently, approximately 15 Electricity Vendors represent 91% of total customers, and most of them are rated above investment grade.

Electricity Vendor	DBRS	Moody's	S&P
Alectra	A	--	A
Energy+	--	--	A
EnWin Utilities	--	--	A
Guelph Hydro Electric Systems	--	--	A
Hydro One	A (high)	A3	A
Hydro Ottawa Holding	A	--	BBB+
London Hydro	--	--	A
Toronto Hydro	A	--	A
Veridian Corporation	A	--	--
Waterloo North Hydro	A (low)	--	--

The remaining Electricity Vendors are unrated, but their share of CEA collections are expected to be low. Though the letter of credit will not cover all expected collections from such Electricity Vendors, DBRS considers the amount sufficient given that it is

unlikely all Electricity Vendors will be insolvent simultaneously and given the strong performance of Electricity Vendors in the past. If shortfalls arising due to commingling exceed the letter of credit amount available, then such excess would be included in the true-up amount. In addition, since the restructuring of the electricity market in 2002, there has not been an insolvency of an Electricity Vendor and the IESO has not experienced any payment defaults from an Electricity Vendor that has resulted in a draw on the collateral posted by the Electricity Vendor. Most payment defaults in the past have been administrative in nature and were cured by full payment within a short period of time.

Credit Enhancement

True-Up Amount

A true-up amount is determined semi-annually, and more frequently if required, to recover any shortfalls from prior periods. Shortfalls from prior periods may occur as a result of various factors such as consumer defaults and delinquencies and forecast errors. Anticipated shortfalls and differences in future periods are also included in the true-up amount. The amount is included in the CEA invoiced to Specified Consumers. The true-up amount will be calculated as long as there are Notes outstanding.

Subordination (49.0% to the 2018-1 Senior Notes; 10.0% to the 2018-1 Subordinated Notes)

The 2018-1 Senior Notes benefit from the subordination provided by the 2018-1 Subordinated and 2018-1 Junior Subordinated Notes in an amount equal to 49.0% of the 2018-1 Notes that will be issued. Future series of Notes issued by the Trust may reduce the amount of subordination available to the 2018-1 Senior Notes, but subordination will not be permitted to fall below 35.0% of the total Notes outstanding. In DBRS's stress testing on the 2018-1 Senior Notes, 35.0% of subordination was assumed for conservatism. The 2018-1 Subordinated Notes benefit from subordination provided by the 2018-1 Junior Subordinated Notes in an amount equal to 10.0% of the 2018-1 Notes, and such amount is not permitted to decline in the future.

IESO Cash Reserve Account (Temporary; 0.50% + 3 Months of Carrying Costs)

Prior to April 30, 2021 (the end of Moratorium Period), the IESO is obligated to deposit into the IESO Cash Reserve Account an amount equal to:

1. 0.50% of the total Notes outstanding as at April 15, 2021, and
2. Three months of expected Carrying Costs on all such Notes and any new Notes to be issued during that period (from May 2021 to July 2021).

On each Payment Date on or after November 2021, amounts in the IESO Cash Reserve Account will be applied to pay interest on the Notes to the extent that the remaining balance of the IESO Cash Reserve Account plus the Program Cash Reserve Account exceeds 0.50% of the total Notes outstanding.

Program Cash Reserve Account (0.50%)

After the Moratorium Period, a portion of the CEAs invoiced and collected from Specified Consumers will be used to fund the Program Cash Reserve Account in the waterfall.

The Program Cash Reserve Account will be funded up to 0.50% of the total Notes outstanding.

Historical Performance

As electricity is a basic necessity, the amount of write-offs from customers not paying their hydro bills is limited. Performance of Toronto Hydro customers is considered to be representative of performance from the rest of the Province. Since 2010, write-offs have been 0.35% or less (weighted average of 0.26%).

Toronto Hydro	2010	2011	2012	2013	2014	2015	2016
Write-Offs	0.35%	0.35%	0.33%	0.25%	0.21%	0.22%	0.19%

Write-offs do not necessarily lead to a shortfall in net collections, as electricity rates are grossed up to account for expected delinquencies/write-offs. For example, if $100 million needs to be collected in a period, but there are $2 million of expected delinquencies, then $102 million will be invoiced so that net $100 million will be collected.

Stress Testing

To assess the sufficiency of available credit enhancement, DBRS conducts stress testing in accordance with its methodology *Rating Canadian Structured Finance Transactions (Appendix: Legislated Utility Collections)*.

Consumption Forecast Volatility and Re-Forecasting Lag

The forecast of electricity consumption is a key driver in determining the volumetric rates charged to consumers. Negative deviations from the forecast (i.e., lower consumption than forecast) will result in a shortfall in collections. A base annual forecast error rate of 9.0% was determined based on the worst annual forecast error of the IESO since 2007 and is applied against the consumption forecast in the first year following the Moratorium Period (when CEAs begin to be invoiced to Specified Consumers). The error rate increases each of the following five years up to a multiple of the base error rate commensurate with the rating of the relevant class of Notes. This reflects an environment where electricity consumption declines (e.g., as a result of more efficient technology or increasing self-generation) or where the ratepayer base shrinks (e.g., as a result of grid defection or migration from the Province).

As the stress on the original consumption forecast increases, DBRS also assumes that the IESO would not re-forecast its consumption projections until two years after. Thus, despite the true-up being calculated in subsequent Reference Periods, the calculation of the volumetric rate will be based on an incorrect consumption forecast (resulting in an insufficient true-up).

Monthly Write-Offs

As noted in the Historical Performance section, historical charge-offs have remained fairly low (less than or equal to 0.35% since 2010) and customer invoices are typically grossed up to offset anticipated write-offs. Notwithstanding this, DBRS assumes actual write-offs of 0.50% of invoiced collections each month (without an offsetting increase in the gross-up), which increase every five years up to a multiple of the worst-ever historical write-offs commensurate with the rating level of the relevant class of Notes. A collections curve is also applied, delaying a portion of payments for up to five months.

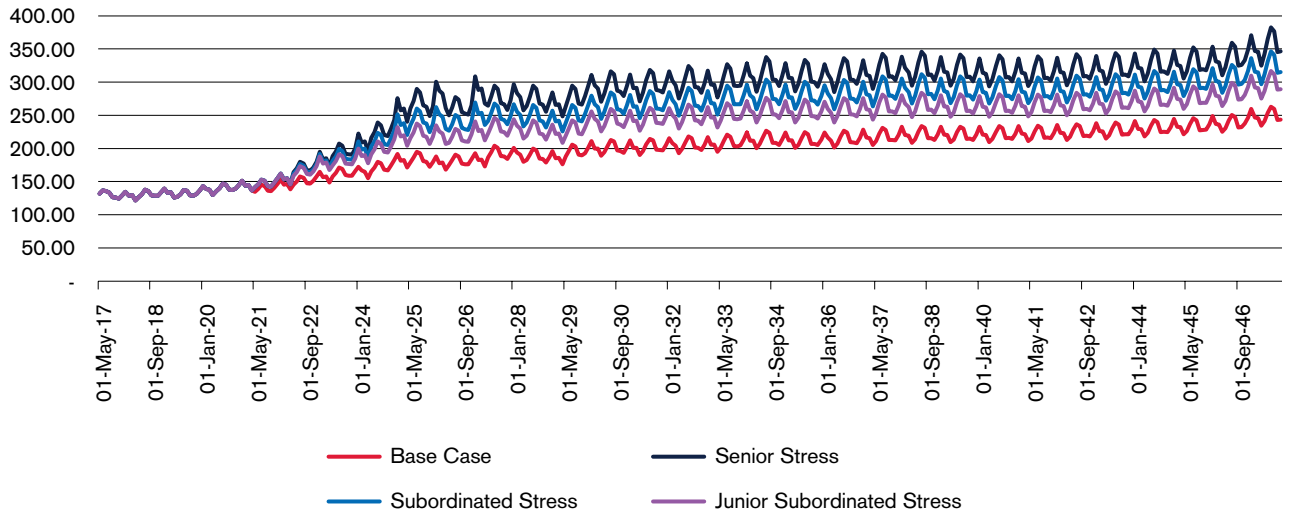
Service Disruption Collections Haircut

To simulate the loss of collections that would be experienced in the event of a severe service disruption, DBRS applies a haircut of up to 100% on all collections (including true-up amounts) received in the month with the largest expected collections each year.

Summary of Stresses

	2018-1 Senior Notes	2018-1 Subordinated Notes	2018-1 Junior Subordinated Notes
Consumption Forecast Error Stress Multiple	5.0x	4.0x	3.0x
Lag on Re-Forecasting	24 Months	24 Months	24 Months
Write-Off Stress Multiple	5.0x	4.0x	3.0x
Service Disruption Collections Haircut	100%	100%	50%

Exhibit 2: Customer Bill Impact (Total Program)



Under the related combination of stresses shown in the table above, each class of 2018-1 Notes continues to receive timely interest payments and principal is fully repaid at or prior to the Principal Payment Default Date.

Legal Opinions

Counsel for the parties noted below is expected to render legal opinions with respect to the following:

1. Counsel to the OPG in its own capacity and in its capacity as Manager and Financial Services Manager to the Trust under the FHPA: (a) the power and capacity of the Issuer Trustee, as trustee of the Trust and OPG, as Manager, to enter into the transaction documents to which they are each a party; (b) the Master Trust Indenture creates a valid security interest in favour of the Indenture Trustee in the collateral that the Trust has rights to and any rights acquired by the Trust thereafter; (c) each of the transaction documents to which the Trust is a party creates a legal, valid and binding obligation of the Trust, enforceable against the Trust in accordance with their terms; and (d) a court would not order substantive consolidation of the Trust with OPG in the event of a voluntary or involuntary insolvency proceeding of OPG.
2. Counsel to the IESO: (a) the documents to which the IESO is a party constitutes a legal, valid and binding obligation of the IESO and (b) the FHPA provides that a transfer of a portion of the regulatory asset constitutes a valid and enforceable assignment and sale by the IESO to the Trust.
3. Counsel for the Her Majesty the Queen in Right of Ontario (the Crown): (a) the power and capacity of the Crown to enter into the Law Protection Agreement; (b) the Law Protection Agreement constitutes a legal, valid and binding obligation of the Crown; and (c) the FHPA and the associated regulation (Ontario Regulation 206/17) have been proclaimed into force.

Appendix 1 — Specified Consumer

Under the FHPA, a Specified Consumer is

a. A person who has an account with an Electricity Vendor for the supply of electricity in the Province and meets any one of the following criteria:

i. The person has a demand for electricity of 50 kilowatts or less or such other amount as may be prescribed by the Regulations;

ii. The person annually uses no more than 250,000 kWh of electricity or such other amount as may be prescribed by the Regulations;

iii. The person carries on a business that is a farming business for the purposes of the *Farm Registration and Farm Organizations Funding Act, 1993*and either holds a valid registration number assigned under that act or has had the obligation to file a farming business registration form waived pursuant to an order made under subsection 22(6) of that act;

iv. The person's account with the Electricity Vendor relates to

a. A dwelling;

b. A property within the meaning of the *Condominium Act, 1998*;

c. A residential complex within the meaning of subsection 2(1) of the *Residential Tenancies Act, 2006*, without regard to section 5 of that act; or

d. A property that includes one of more housing units that is owned or leased by a co-operative within the meaning of the *Co-operative Corporations Act*; or

v. The person satisfies such criteria as may be prescribed by the Regulations; or

b. Such other person as may be prescribed by the Regulations.

Appendix 2 — Events of Default

Each of the following events is an Event of Default:

a. The Trust's failure, for a period of five days, to pay interest on any Controlling Class Obligations when such interest becomes due and payable;

b. The Trust's failure to pay the principal of any Controlling Class Obligations at the Principal Payment Default Date;

c. Any representation or warranty in the Master Trust Indenture that proves to be incorrect in any material respect when made, and if capable of remedy, such incorrect representation or warranty is not remedied for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Trust requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

d. The Trust's default in the performance or breach of any other of its covenants or warranties in the Master Trust Indenture for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Trust requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

e. Certain events of bankruptcy or insolvency of the Trust or the Trust fails to maintain its existence or status as a Financing Entity;

f. The Change of Law Protection Agreement ceases to be in full force and effect against the Province, or the validity thereof, or the applicability thereof to the Province or any Controlling Class Obligations is disaffirmed by the Province;

g. An Acceleration Event has occurred and Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Trust and the Indenture Trustee specifying the default;

h. The Trust's default in the performance of its covenant to deliver payment instructions for a period of three business days after the Indenture Trustee has provided written notice thereof;

i. At any time, the amounts withdrawn from the Program Cash Reserve Account prior to such time exceed the aggregate of (x) 0.50% of the largest outstanding principal amount of all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on or prior to such time; (y) the sum of all amounts deposited to the Program Cash Reserve Account; and (z) all interest and earnings (net of losses and investment expenses), if any, on funds credited to the Program Cash Reserve Account; or

j. A Servicer Default occurs.

If Controlling Class Obligations constituting 25% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the thresholds required in clauses (c), (d) or (g) will be deemed to have been met.

So long as any Senior Notes are outstanding, the Senior Notes (and all other obligations to the Trust that are pari passu with the Senior Notes) will constitute the Controlling Class Obligations.

Appendix 3 — Protection Events

Each of the following constitutes a Protection Event under the Change of Law Protection Agreement:

a.

i. The Ontario legislature repeals, and does not replace on an equivalent basis, or amends, the FHPA, in whole or in part, as in effect on the date hereof;

ii. The Ontario legislature enacts or amends any other statute;

iii. The Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under or in connection with, the FHPA, in whole or in part, as in effect on the date hereof;

iv. 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

v. 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 (X) 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, determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement; (ii) the availability of any credit enhancement agreement to which the Trust is a party; and (iii) any reasonably expected potential effect of a True-Up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (a) to (e) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

b. A court determines that all or a portion of the FHPA or the Regulations, as in effect on the date hereof, 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 and that has the effect of the Trust not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement; (ii) the availability of any credit enhancement agreement to which the Trust is a party; and (iii) any reasonably expected potential effect of a True-Up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

Appendix 4 — Servicer Default

Servicer Default means

a. Any failure by the Servicer to remit to the Collection Account any required remittance that shall continue unremedied for a period of three business days after written notice of such failure is received by the Servicer from the Trust or after discovery of such failure by a responsible officer of the Servicer;

b. Any failure on the part of the Servicer or, so long as the Servicer is the IESO, any failure on the part of the IESO, as the case may be, to duly observe or to perform in any respect any covenants or agreements of the Servicer or the IESO, as the case may be, set forth in the Master Transfer and Servicing Agreement or in any other Program Agreement to which it is a party (other than as provided in (a) above), which failure shall (i) materially and adversely affect the rights of the Specified Creditors and (ii) continue unremedied for a period of 30 days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or the IESO, as the case may be, by the Trust or (B) such failure is discovered by a responsible officer of the Servicer;

c. Any representation or warranty made by the Servicer in the Master Transfer and Servicing Agreement, any other Program Agreement to which it is a party, any transfer notice or any monthly servicer report shall prove to have been incorrect when made, which has a material adverse effect on the Trust and which remains unremedied for a period of 30 days after the date on which (i) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer by the Trust or (ii) such failure is discovered by a responsible officer of the Servicer;

d. An insolvency event occurs with respect to the Servicer or the IESO; or

e. Any additional Servicer Default as specified in any Co-Owner Agreement occurs.

Notes:
All figures are in Canadian dollars unless otherwise noted.

This report is based on information as of January 22, 2018. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.

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From:	Carlos Yep
To:	Mike Manning; Ken Kandeepan; John Psinas; John Kim; Ronald Kwan; Gadi Mayman; Anna Strathy
Subject:	FW: Fair Hydro Trust, 2018-1 Senior Notes, due 15 May 2033 - in bond index as Corporate securitized ABS
Date:	Tuesday, February 13, 2018 11:29:55 AM
Attachments:	image001.png

FYI

From: PC-Bond Index Team [mailto:pcbond@FTSERussell.com]
Sent: Friday, February 02, 2018 11:07 AM
To: PC-Bond Index Team <pcbond@FTSERussell.com>
Subject: Fair Hydro Trust, 2018-1 Senior Notes, due 15 May 2033

Dear FTSE TMX Client,

A new issuer is being brought to market – Fair Hydro Trust, 2018-1 Senior Notes, due 15 May 2033

Based on review of information available thus far, FTSE Russell would expect to classify this security as **Corporate Securitized ABS,** given the structure of the issuer and in particular its bankruptcy remote nature**,** for the purposes of Index Consideration.

For further information please contact FTSE Russell at ftsebond@ftserussell.com or call 416.572.7979

Regards,

PC-Bond Index Team

FTSE TMX Global Debt Capital Markets Inc.

FTSE Russell
70 York St, Suite 1520
Toronto, Ontario Canada L4J 8Z7
Tel: +1 416 572 7979
www.ftserussell.com[ftserussell.com]

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For further information about FTSE Russell visit http://www.ftserussell.com/[ftserussell.com]


FTSE
Russell

From: Nelms, Scott (MOF)
To: Gadi Mayman
Subject: FW: Minister Letter to OPG
Date: Tuesday, April 18, 2017 11:02:28 AM
Attachments: MC-2017-750 Outgoing.pdf

From: Katona, Keley (ENERGY)
Sent: April 13, 2017 5:42 PM
To: Hume, Steen (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF)
Subject: Fw: Minister Letter to OPG

From: Keley.Katona@ontario.ca
Sent: Thursday, April 13, 2017 5:41 PM
To: HARTWICK Ken -FINANCE
Cc: Imbrogno, Serge (ENERGY); KING Catriona -OFFCORPSEC
Subject: Re: Minister Letter to OPG

Attached is the signed letter.

From: Katona, Keley (ENERGY)
Sent: Thursday, April 13, 2017 3:49 PM
To: HARTWICK Ken -FINANCE
Cc: Imbrogno, Serge (ENERGY); KING Catriona -OFFCORPSEC
Subject: Re: Minister Letter to OPG

Thanks Ken, we've incorporated your changes.

Sent from my iPad

On Apr 13, 2017, at 2:49 PM, HARTWICK Ken -FINANCE <ken.hartwick@opg.com> wrote:

> Keley
>
> See the recommended changes to the letter. I reviewed these with the accounting team and both are needed to ensure the effective consolidation of the SPV into OPG. In particular the first change is critical. The second is important as the activity we undertake needs to be in the interest of OPG recognizing that the ratepayer impact is critical.
>
> Thanks

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<20170413-Letter from Province to OPG-LSB ESP Consolidated v2_clean.docx>

Ministry of Energy

Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754

Ministère de l'Énergie

Bureau du ministre

4e étage, édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758
Téléc. : 416 327-6754

Ontario

APR 1 3 2017

MC-2017-750

Mr. Bernard Lord
Board Chair
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
Toronto ON M5G 1X6

Dear Mr. Lord:

I am writing to provide Ontario Power Generation Inc. (OPG) with additional detail regarding elements of Ontario's Fair Hydro Plan as announced by the government on March 2, 2017. Given OPG's active participation in the electricity market and its expertise in rate regulated accounting and investment stewardship over significant pension and nuclear funds, I am writing specifically to request OPG's involvement in the implementation of the Global Adjustment (GA) refinancing that will be required in relation to changes to the GA proposed as a component of Ontario's Fair Hydro Plan.

The Government of Ontario proposes to take steps to lower electricity bills by 25 per cent for a typical residential electricity consumer relative to what those bills would otherwise have been without Ontario's Fair Hydro Plan. Changes to the GA are proposed to be a component of the 25 per cent rate relief. This proposed 25 per cent rate relief measure would also be inclusive of the 8 per cent rebate that is already in effect under the *Ontario Rebate for Electricity Consumers Act, 2016* and the savings that are anticipated to result from the proposed shifting of the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRPP) program costs from ratepayers to provincial revenues.

I am requesting that OPG, working with the Ministry of Energy, the Independent Electricity System Operator (IESO), the Ontario Financing Authority (OFA) and their respective advisors, consider and recommend a plan for financing mechanisms that could achieve the Province's objectives with respect to Ontario's Fair Hydro Plan, all in accordance with any legislation and regulations currently in place, or that may subsequently be implemented, with respect to facilitating Ontario's Fair Hydro Plan.

In particular, the Province would like OPG's financing plan to consider, among other things, structures and methods that would permit refinancing of a portion of the GA in order to reduce electricity prices for specified electricity consumers, with the costs of the refinancing to be recovered over a period of no more than 30 years, all in accordance with any legislation and regulations currently in place, or that may subsequently be implemented, with respect to facilitating Ontario's Fair Hydro Plan. I would also expect OPG's financing plan to include:

.../cont'd

I. Potential structures for the financing, which may include, as appropriate, a special purpose vehicle (SPV) created for the financing;

II. Potential financing mechanisms and instruments, including senior debt and subordinated debt; and

III. Identification of the capital markets and jurisdictions that can be accessed to refinance a portion of the GA.

The Province recognizes the need to provide OPG with the necessary assurances with respect to recovery of the principal, interest and operating and other costs of any financing, and will consider the specific requirements identified by OPG and its advisors, including in any future legislation and regulations that would govern the mechanics and requirements of the financing entity. I would also request that your plan identify any amendments to OPG's governing legislation and constating documents needed to facilitate the implementation of the financing plan in a commercial manner.

I would further expect that OPG's financing plan would be implemented in an effective and cost-efficient manner by OPG balancing the need to protect the interests of ratepayers and the financial health of OPG. I would also further expect that OPG will ensure that any of its proposed borrowing and other activities under its financing plan take into account the "inter-generational" approach that the Province is intending to provide in executing Ontario's Fair Hydro Plan.

I look forward to receiving a detailed plan that has the support of the OPG Board of Directors by June 1, 2017.

Sincerely,

Glenn Thibeault
Minister

c: Hon. Charles Sousa, Minister of Finance
Scott Thompson, Deputy Minister of Finance
Serge Imbrogno, Deputy Minister of Energy
Gadi Mayman, CEO, Ontario Financing Authority
Jeffrey Lyash, President and CEO, Ontario Power Generation

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Ontario

APR 1 3 2017

MC-2017-750

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Board Chair
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
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Glenn Thibeault
Minister

c: Hon. Charles Sousa, Minister of Finance
Scott Thompson, Deputy Minister of Finance
Serge Imbrogno, Deputy Minister of Energy
Gadi Mayman, CEO, Ontario Financing Authority
Jeffrey Lyash, President and CEO, Ontario Power Generation

From: Gadi Mayman
To: Scott Thompson (CAB); Helen Angus (MOHLTC); Serge Imbrogno (ENERGY)
Cc: Karen Hughes (MGS); "Cindy.Veinot@ontario.ca"; Steen Hume (CAB); Mike Manning
Subject: FW: New Issue Announcement - Fair Hydro Trust 2018-1
Date: Monday, January 22, 2018 3:34:17 PM

Hi Deputies, FYI, the process of going public with the first debt offering of the FHT has now begun. Next week Ken Hartwick and John Lee will do their cross-country roadshow, and the issue is expected to be launched and priced the following week – on the same schedule as had been discussed at our most recent breakfast club meeting.

The email announcement below is from RBC, one of the three lead underwriters, with CIBC and Goldman, of the transaction.

Gadi

From: Dorri, Sam [mailto:sam.dorri@rbccm.com]
Sent: Monday, January 22, 2018 2:54 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Elizabeth Wallace <Elizabeth.Wallace@ofina.on.ca>
Cc: Caridia, Alex <alex.caridia@rbccm.com>; Martin, Kevin E <kevin.e.martin@rbccm.com>; Vijay, Shaaj <shaaj.vijay@rbccm.com>; Van Nest, Richard <richard.vannest@rbccm.com>
Subject: New Issue Announcement - Fair Hydro Trust 2018-1

Dear Ontario Team,

Away from your impending Green transaction, we wanted to forward you some details and a short write-up on the announcement of the Fair Hydro transaction (that I'm sure you're aware of). Pricing is expected the week of Feb 5th – we'll keep you posted on any interesting questions or developments as they come through in the coming weeks.

This afternoon, Fair Hydro Trust (or "the Trust") announced cross-country marketing efforts in anticipation of its inaugural debt offering. The structure consists of three tranches of which only the Senior Notes will be offered and sold to institutional investors, while the Subordinated and Junior Subordinated will be retained. The inaugural offering of the Notes has an expected maturity date of May 15, 2033 (15.25 year term). RBC Capital Markets is acting as Joint Lead and Joint Bookrunner on the transaction. The roadshow schedule consists of luncheons, one-on-ones and a nationwide conference call. The events will be in Montreal on January 29th, in Toronto on January 30th and 31st and in Western Canada on February 1st and 2nd.

The Fair Hydro Trust offering is in connection with the Province of Ontario's Fair Hydro Plan ("FHP") announced on March 2, 2017, which proposed to lower the average electricity bill for eligible customers by 25%. The FHP is an initiative designed to ensure clean energy costs and clean energy benefits associated with Ontario's clean energy initiatives are fairly allocated among present and future residential consumers, small businesses and farms and to provide fairness for the aforementioned electricity users over time. The collateral consists of cost recovery receivables originated to fund the difference between what electricity users pay and what power generators are contractually owed. The Notes will be offered privately in Canada pursuant to an Offering Memorandum.

The Trust is being structured to be bankruptcy remote to Ontario Power Generation, who is acting as Financial Services Manager. The program is estimated to be $20 billion, split ~51% Senior debt, ~39% Subordinated debt, ~10% Junior Subordinated debt, with the financing program anticipated to be ~10-years.

Details of the Offering are as follows:

Issuing Entity:	Fair Hydro Trust ("FHT")
Seller and Servicer:	The Independent Electricity System Operator ("IESO")
Offered Securities:	Fixed Rate Bullet Senior Notes

Amount Offered:	C$●
RBC Role:	Joint Lead Manager / Joint Bookrunner

Class	**Senior Notes**	**Subordinated Notes**	**Junior Subordinated Notes**
Issuance Size:	C$●	C$●	C$●
Spread:	GOC +●	Placed with OPG	Placed with OPG
Expected Ratings (DBRS / Moody's):	AAA(sf)/ Aa2(sf)	AA(sf)/ Aa2(sf)	A(sf)/ Aa2(sf)
Expected Final Payment Date:	May 15, 2033	May 15, 2033	May 15, 2033
Term:	15.25 years	15.25 years	15.25 years
Payment Dates:	May 15th and November 15th	May 15th and November 15th	May 15th and November 15th

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From:	Carlos Yep
To:	Anna Strathy
Subject:	FW: OFA Feedback re Fair Hydro Plan - Sub Debt
Date:	Friday, August 25, 2017 10:50:36 AM
Attachments:	Draft Subordianted Debt Term Sheet.doc FHPA Regulations - Fees.docx

fyi

From: Carlos Yep
Sent: Friday, August 25, 2017 10:20 AM
To: 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Cc: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: FW: OFA Feedback re Fair Hydro Plan - Sub Debt

Hi Kaitlin,
Yes, there is still some work to be done on the Sub-Debt.

The OFA has not seen any revised documents from OPG. With Attached is the email from Ken Kandeepan to Sheen Liu at OPG on July 31 that dealt only with the Sub-Debt and Performance Fees with one major change and some other recommendations, Ken did clarify with Sheen that the OFA could not comment on the fix fee.

The main point is that it should be between OPG, Fair Hydro Trust and the Ministry of Energy.

Regards
Carlos

From: Ken Kandeepan
Sent: Monday, July 31, 2017 4:20 PM
To: 'LIU Sheen -TREASURY' <sheen.liu@opg.com>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; James Devine <James.Devine@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFA Feedback re Fair Hydro Plan

Hi Sheen

Pls find attached our comments on each document. Happy to discuss along with my colleagues from our Capital Markets Division who are cc'ed.

Thanks

Ken k

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Friday, July 28, 2017 5:32 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; WONG Leslie -LAWDIV <leslie.wong@opg.com>
Subject: OFA Feedback re Fair Hydro Plan

Ken,

Thanks for providing your concurrence in the Trust's approach to performance benchmarking. In order to move forward with completing all Fair Hydro Plan related legal documents, could you please also confirm your agreement to the methodology/process as illustrated in the other two documents provided to you in the past (both attached above for your reference)? Specifically, we would appreciate your confirmation re the following items:

1. Fee Structure, including both fixed and variable fees (as described in FHPA Regulations – Fees.docx)
2. The process of (a) taking out subordinated loan from OFA; and (b) establishing relevant pricing (as described in Draft subordinated Debt Term Sheet.doc)

If you have other outstanding comments relating to Fair Hydro Plan, please also let us know so that we could incorporate them before finalizing the structure and legal documents.

Your timely response will be appreciated.

Regards

Sheen

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: Tuesday, July 18, 2017 1:05 PM
To: LAURETA LAPIRA May -FIN & C CTRL
Cc: MAUTI John -FIN & C CTRL; LEE John -TREASURY; Mike Manning; Graham Monroe; Carlos Yep; James Devine; JORDA Jenny -FIN & C CTRL; GORE Michael -FIN & C CTRL; LIU Sheen -TREASURY
Subject: EXTERNAL – RE: EY concurrence re: Draft Trust Performance Fee Recommendations

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Thank you May, the email from E&Y is clear and given a choice between a performance methodology, that in our opinion, is not entirely reflective of capital markets decision making and jeopardizing the consolidation of the Trust, we are opting to accept OPG's methodology for the construction of the benchmark.

Pls proceed accordingly.

Ken k

From: LAURETA LAPIRA May -FIN & C CTRL [mailto:may.lapira@opg.com]
Sent: Monday, July 17, 2017 2:40 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: MAUTI John -FIN & C CTRL <john.mauti@opg.com>; LEE John -TREASURY <john.s.lee@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Graham Monroe <Graham.Monroe@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; JORDA Jenny -FIN & C CTRL <jenny.jorda@opg.com>; GORE Michael -FIN & C CTRL <michael.gore@opg.com>; LIU Sheen -TREASURY <sheen.liu@opg.com>
Subject: EY concurrence re: Draft Trust Performance Fee Recommendations

Hi Ken,

My name is May Lapira and I'm the newest addition to the Treasury team. Jenny has been working hard to get me updated on the accounting aspects of the Fair Hydro Plan so we can transition future correspondences over to me.

Per our discussion during the call earlier today, we have reached out to EY to obtain concurrence on our interpretation of their accounting position. Please see attached the email trail from EY's senior manager Brittany Keenan confirming that excluding the equity injection component from the definition of a 'benchmark bond' would result in non-commercial terms and could ultimately result in OPG not being able to consolidate the financing entity.

Please let me know if you have any follow up questions on this matter.

I look forward to working with you,
May

May Laureta Lapira, CPA, CA | Senior Manager, Treasury | Ontario Power Generation
700 University Avenue, Toronto ON M5G 1X6 | Tel: (416) 592-3721| Fax: (416) 592-7758 |E-mail: may.lapira@opg.com

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Fair Hydro Plan – Subordinated Debt Loan Arrangement
Term Sheet

- Parties: OPG, Fair Hydro Trust, ~~OFA~~, Ministry of Energy

- In accordance with the Master Subscription Agreement among OPG, ~~OFA~~ and Ministry of Energy, the Province agrees to inject 44% of total funding of GA asset by way of equity subscriptions in OPG, and OPG agrees to use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt (Equity Injection Plan) requirements as part of the Fair Hydro Plan

- OPG will lend the equity injection from the Province to Fair Hydro Trust by way of subordinated debt (one or more mezzanine level)

- Initial credit rating will be assigned to the subordinated debt of Fair Hydro Trust

- Based on monthly funding requirement of GA asset, the Trust will use short term financing, such as bank facilities, and take out bonds once accumulative short term funding reaches certain levels.

- The mechanism to implement Equity Injection Plan will be based on monthly equity injections reflecting funding requirements of GA asset

- Interest rates on the subordinated debt will be established as follows:

    - During the Trust short term financing period when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt

    - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. The process will be similar to the one established for pricing of OPG debt drawn from OEFC facilities.

Commented [KK1]: The OFA is not part of the master subscription agreement and hence should be removed.

Commented [KK2]: OPG can simplify (only set rates once) and reduce financing risk (there is no certainty as to the timing or term structure of the senior debt issuance) of the suggested process by terming out the subordinated debt at the time of each monthly equity injection from the Province

TORYS/OPG COMMENTS: JUNE 22, 2017

Fees, subs. 19 (3) of the Act

(x.1) For the purposes of this section, "incremental annual funding obligation" means the aggregate of all funding obligations issued by all financing entities in a calendar year.

10xx. (1) For the purposes of subsection 19 (3) of the Act, the Financial Services Manager may establish and charge fees to financing entities in relation to the following matters:

1. The services provided by the Financial Services Manager to financing entities, which may include services related to planning, financing, negotiation and execution of agreements, the payment of costs and expenses on behalf of a financing entity, front office services and administrative services.

2. The costs of doing anything that the Financial Services Manager is required or permitted to do under the Act.

(2) The fees mentioned in subsection (1) shall be established annually and shall be comprised of a fixed fee and a variable fee based on performance.

(x.2) The fixed fee referred to in (2) shall be payable monthly and calculated as follows:

$$(A \times B) / 12$$

Where,

A = a percentage, expressed as a per annum rate, based on market comparable fees determined by the Financial Services Manager charged by service providers for similar services, and

B = the average of the opening and closing balances of the aggregate principal amount of outstanding funding obligations issued by all financing entities in the previous calendar month.

(x.3) The variable fee referred to in (2) shall be calculated as the sum of the amounts calculated, using the following formula, for all tranches of funding obligations issued by all financing entities in the relevant year:

$$(A \times (B - C)) \times D$$

Where,

A = the principal amount of the applicable tranche of net incremental annual funding obligations,

B = the forecast interest rate for the applicable tranche of incremental annual funding obligations, as determined by the Financial Services Manager on or before the end of the calendar year prior to the calendar year in which the fee is being determined and based on the term of the applicable tranche of incremental annual funding obligations,

C = the actual interest rate for the applicable tranche of incremental annual funding obligations,

D = 5%

(3) The variable fee payable for any calendar year shall not be:

1. more than 1% of (D × the incremental annual funding obligations), or

2. less than -1% of (D × the incremental annual funding obligations).

(3.x) If the variable fee is a negative amount, such amount shall be deducted from the fixed fee payable in the following calendar year in twelve equal monthly instalments.

Board approval of fees, subs. 19 (4) of the Act

11xx. (1) The Financial Services Manager shall submit its proposed fees, together with the methodology used for determining its proposed fees, to the Board for approval no later than August 31, 2017. ***[NTD: Need to determine how to deal with the 1st fee. Understand that OPG is proposing a fixed fee for this year. OPG: There will not be a variable fee for the 1st year.]***

(2) The Board may approve the fees proposed under (1) and the methodology used to determine those fees or it may refer the proposal back to the Financial Services Manager for further consideration with the Board's recommendations.

(3) The Financial Services Manager may from time to time, but not more than once in any 12 month period, submit proposed amendments to the approved methodology for determining fees, together with its proposed fees based on such proposed amendments, to the Board and the Board may approve the proposed amendments and the proposed fees or may refer the proposal back to the Financial Services Manager for further consideration with the Board's recommendations.

Commented [A1]: Pls note that as it stands it appears to include all of the borrowings in any given year which is both new borrowings and refinancing maturities. Including the word "net" ensures that the performance fee is limited to new borrwoings only.

(4) If the Financial Services Manager submits proposed amendments to its approved methodology for determining fees, the proposed amendments together with the proposed fees based on such proposed amendments shall be submitted to the Board for approval no later than 120 days before the Financial Services Manager intends for the fees, determined on the basis of the amended methodology, to commence being charged.

(5) Section 10 applies with such modifications as the context may require to any application by the Financial Services Manager for approval to amend the approved methodology for determining fees and for approval of the resulting fees.

(6) The Financial Services Manager may annually establish and charge fees to financing entities in accordance with the methodology approved by the Board under (2) or (3), as applicable, and such fees shall be deemed to have been approved by the Board for purposes of subsection 19(4) of the Act provided that, in each year where the Financial Services Manager establishes and charges fees that are deemed to have been approved under this subsection, the Financial Services Manager shall submit to the Board, for information purposes, a report setting out the fees that have been established for the year and demonstrating that the approved methodology has been appropriately applied.

(7) When the Financial Services Manager submits its proposed fees and methodology under (1), or its proposed amendments to the approved methodology and resulting proposed fees under (3), the Financial Services Manager shall provide the Board with the following:

1. The methodology that the Financial Services Manager has used to calculate its fixed and variable fees.

2. The methodology that the Financial Services Manager has used to benchmark the market comparable fees charged by service providers for similar services.

3. The identity of the financing entities that are liable to pay the proposed fees.

4. Such other information as the Board may require.

(x.1) Fees established by the Financial Services Manager and approved by the Board shall be included in the definition of “expenses” for the purposes of determining finance amounts under the Act.

From:	Anna Strathy
To:	Gadi Mayman
Subject:	FW: OFHP fees reg
Date:	Friday, October 13, 2017 4:10:05 PM
Attachments:	Draft Fees Regulation for OPG Trust and OFHP_OFA Q&As_Markup4.docx reg2017.0512.e04 with drafting instrns for leg counsel v4_EFB_v3.docx

Hi Gadi,

Do you want to have a look at the drafting instructions for the OFHP fees reg? See attached.

I've confirmed that:

- From what I can tell, the drafting instructions have the base fee at 7.5 bps in 2017 and 2018, consistent with our understanding
- The base fee beyond 2018 will be reviewed by the OEB to be ensure comparability with market fees, consistent with our understanding
- There is no mention in the draft regs of the OEB undertaking a study to determine comparability because it's already at their discretion to do so

Ron and everyone else is fine with this.

Thanks, Anna

From: John Kim
Sent: Friday, October 13, 2017 3:51 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi Anna,

The first bullet is correct. The part that Ken contributed was that in a meeting that arrived at 7.5 bps also concluded that the OEB would engage an outside expert for the review process. On your last bullet, your description is also my understanding.

John

From: Anna Strathy
Sent: Friday, October 13, 2017 3:42 PM
To: John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi John, I'm not quite as close to this as everyone else here, so before sending over to Gadi I just wanted to confirm a few things:

- From what I can tell, the drafting instructions have the base fee at 7.5 bps in 2017 and 2018, consistent with our understanding
- The base fee beyond 2018 will be reviewed by the OEB to be ensure comparability with market fees, consistent with our understanding
- There is no mention of the OEB undertaking a study (as far as I can tell) to determine comparability – is that because it's already at their discretion to do so?

Thanks, Anna

From: John Kim
Sent: Friday, October 13, 2017 3:17 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi all,

The latest and pls. have one last look.

Anna, Ron is OK to send these along. Would it be OK with Gadi too?

Thanks,

John

From: John Kim
Sent: Friday, October 13, 2017 1:17 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi Carlos,

We added our comments to the draft regulation. Before sending back, I would like full review. The Qs and As will be sent shortly.

Energy staff have followed up on this (copied you and Ken on that response), reminding them of our email to them dated September 27, 2017.

Thanks,

John

From: John Kim
Sent: Thursday, October 12, 2017 5:27 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: OFHP fees reg

Hi Ken, Carlos,

Just catching up on emails and attached see additional request related to the draft reg.

I will aim to provide draft response to the Qs below tomorrow based on our comments and CMD's, as well.

Thanks,

John

From: Katona, Keley (MOF) [mailto:Keley.Katona@ontario.ca]
Sent: Thursday, October 12, 2017 2:06 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Daniel Cayley (ENERGY) <Daniel.Cayley@ontario.ca>; Montgomery, Kaitlin (MOF) <Kaitlin.Montgomery@ontario.ca>
Subject: FW: OFHP fees reg

Hi John,

Further to my call, attached is the latest draft reg. Could you review the NTD for the OFA and also address any outstanding questions per below? This was discussed at a meeting that Gadi and Ron attended this morning and it's likely tracking to Cabinet next week with the goal of finalizing before the weekend.

Thanks,
Keley

From: Cayley, Daniel (ENERGY)
Sent: October-11-17 2:04 PM
To: Kim, John (OFA)
Cc: Christie, Tim (ENERGY)

Subject: OFHP fees reg

Hi John – our lawyers have a few questions below related to the OPG fair hydro plan fees reg that they were hoping to get your input on as soon as possible. Please let me know if you think a call with us/our lawyers would be faster than getting us written answers.

#1 – On the process for establishing the base fee and variable fee, which could theoretically spill over into the year to which the new fees would apply (if OEB approval was not obtained until then), the thinking would be to have the old fees apply until the new fees were approved by the OEB, and then have a "retroactive" adjustment of the fees (retroactively adjusting them back to the beginning of the year the new fees take effect). Since the base fee and variable fee are payable monthly, the "retroactive" adjustment would be made in the month following the month in which the new fees were finalized. The question for OFA is whether it would be appropriate to have a retroactive fee adjustment.

#2 – Re: discussion between OPG and OFA about what "market comparable fees", OPG has proposed that there be a requirement for five sets of fees, four of which would be fees charged by full-service managers of securitization vehicles, and the fifth of which would be fees charged by an asset manager (or management and financial services provider) in respect of any one of pension funds, other structured investment funds, hedge funds or other similar structured funds. Does the OFA have any comments on this approach or the viability of finding five such comparators? The Board has suggested that the FSM be required to submit fee comparators but that the Board have the ability to also include comparators that it chooses (e.g. on the advice of consultants/experts it retains).

#3 – Are there "market comparable fees" that allow the person charging the fees to also recover out-of-pocket costs over and above the fees?

#4 – Can the OFA provide comments on the below draft definition of "market comparable fees" reads as follows (the NTDs are for OFA's input)?

ıarket comparable fees" means fees, expressed as a **[yearly?]** percentage rate, charged by asset managers **[or management and financial service providers?]** in Canada or another jurisdiction specified by the Board for services that are similar to the services provided by the Financial Services Manager under the Act in terms of,

[NTD: (1) Confirm *yearly* percentage rate. (2) Confirm whether to include "or management and financial service providers". If this is to be included, what does this mean? Is it a well-recognized industry term of art?]

the type of services provided, being services in respect of funds including **securitization vehicles**, pension funds, other **structured** investment funds, hedge funds and other similar **structured** funds, **[NTD: Confirm "securitization vehicles" and**

“structured”.]

the scope of the services provided,

the level of the services provided, and

the dollar amount of assets under management;

Thanks,

Daniel

Draft Fees Regulation for OPG Trust and OFHP

Question 1: On the process for establishing the base fee and variable fee, which could theoretically spill over into the year to which the new fees would apply (if OEB approval was not obtained until then), the thinking would be to have the old fees apply until the new fees were approved by the OEB, and then have a "retroactive" adjustment of the fees (retroactively adjusting them back to the beginning of the year the new fees take effect). Since the base fee and variable fee are payable monthly, the "retroactive" adjustment would be made in the month following the month in which the new fees were finalized. The question for OFA is whether it would be appropriate to have a retroactive fee adjustment.

OFA Comment: OFA would defer this item to Energy and OFA staff are of the view that retroactive adjustments of the fees applying once the rates are finalized would be acceptable. This would mean that the old rates would continue to apply until the decisions are made by the OEB.

Question 2: Re: discussion between OPG and OFA about what "market comparable fees", OPG has proposed that there be a requirement for five sets of fees, four of which would be fees charged by full-service managers of securitization vehicles, and the fifth of which would be fees charged by an asset manager (or management and financial services provider) in respect of any one of pension funds, other structured investment funds, hedge funds or other similar structured funds. Does the OFA have any comments on this approach or the viability of finding five such comparators? The Board has suggested that the FSM be required to submit fee comparators but that the Board have the ability to also include comparators that it chooses (e.g. on the advice of consultants/experts it retains).

OFA Comment: OFA had indicated that the earlier proposal of 10 bps for the initial proposed base fee was too high and since then a decision to set the initial proposed base fee at 7.5 bps was made. While the 7.5 bps would be applicable in the first year of operations it was also agreed that the OEB will retain an outside expert to provide recommendations on an appropriate rate based on a market survey. In the draft regulation provided by Energy on October 12, 2017, the draft regulation would require the OEB to set the base fee rates based on the market comparable fees. OFA staff are of the view that there should be no references made in the draft regulation about investment vehicles listed in the Question 2 and in Question 4, including securitization vehicles, actively managed investment funds, structured investment funds, hedge funds and/or other types of structured funds. Securitization vehicles, for example, involve significant amount of work 'packaging' a large number of underlying assets into an investment structure. [See more detailed example below.] The financing entity has a very different structure and operates differently from securitization vehicles, hedge funds etc., so such market comparable fees/rates referencing such investment types would not be good representation of the benchmark in this situation.

More Detailed Analysis:

The Financing entity will buy a global asset of $2.5B from IESO and will receive 480 payments from IESO (i.e. ,12 monthly payments for 40 years)

Commented [JK1]: CMD provided additional detail.

A vehicle leasing securitization program will consist of leases with an average term of 36 months with monthly payments and average amount of $25,000 [illustratively]

i.e. To manage a $2.5 billion program for 3yrs would consist of 100,000 leases ($2,500,000,000 divided by $25,000 average lease), involve 3,600,000 payments (100,000 leases X 36 monthly payments) and this would need to be done another 13 times (i.e., for 39 years).

Question 3: Are there "market comparable fees" that allow the person charging the fees to also recover out-of-pocket costs over and above the fees?

OFA Comment: OFA staff are of the view that this is acceptable if done in accordance with the Act and if appropriately audited.

Question 4: Can the OFA provide comments on the below draft definition of "market comparable fees" reads as follows (the NTDs are for OFA's input)?

"market comparable fees" means fees, expressed as a **[yearly?]** percentage rate, charged by asset managers **[or management and financial service providers?]** in Canada or another jurisdiction specified by the Board for services that are similar to the services provided by the Financial Services Manager under the Act in terms of,

[NTD: (1) Confirm *yearly* percentage rate. (2) Confirm whether to include "or management and financial service providers". If this is to be included, what does this mean? Is it a well-recognized industry term of art?]

(a) the type of services provided, being services in respect of funds including **securitization vehicles**, pension funds, other **structured** investment funds, hedge funds and other similar **structured** funds, **[NTD: Confirm "securitization vehicles" and "structured".]**

(b) the scope of the services provided,

(c) the level of the services provided, and

(d) the dollar amount of assets under management;"

OFA Comment: OFA staff are of the view that there should be no references made in the draft regulation about investment vehicles listed in the Question 2 and Question 4, including securitization vehicles, actively managed investment funds, structured investment funds, hedge funds and/or other types of structured funds. Securitization vehicles, for example, involve significant amount of work 'packaging' a large number of underlying assets into an investment structure. The financing entity has a very different structure and operates differently from securitization vehicles, hedge funds etc., so such

market comparable fees/rates referencing such investment types would not be good representation of the benchmark in this situation.

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REG2017.0512.e
4-TP

ONTARIO REGULATION

made under the

ONTARIO FAIR HYDRO PLAN ACT, 2017

FEES

Definitions

1. (1) In this Regulation,

"average monthly funding obligation" means, in respect of a month, the amount determined in accordance with subsection (2);

"average annual funding obligation" means, in respect of a year, the sum of the average monthly funding obligations for the year;

"market comparable fees" means fees, expressed as a yearly percentage rate, charged by asset managers [or management and financial service providers] in Canada or another jurisdiction specified by the Board for services that are similar to the services provided by the Financial Services Manager under the Act in terms of,

[NTD for leg counsel: I am trying to get more clarity around "management and financial service providers". I am not sure whether the intent is to say "management service providers or financial service providers". If the intent is to refer to a "management and financial service provider", I will try to ascertain whether this is a well-understood industry "term of art" (since based on a brief search it did not appear to be).]

(a) the type of services provided, being services in respect of funds including securitization vehicles, pension funds, other structured investment funds, hedge funds and other similar structured funds,

(b) the scope of the services provided,

Commented [OFA1]: OFA is of the view that there should be no mention of references to securitization vehicles, active managed funds and/or hedge funds or any investments of that sort be included in the regulation. The financing entity has a very different structure and operates differently from securitization vehicles, hedge funds etc., so such market comparable fees/rates referencing such investment types would not be good representation of the benchmark in this situation.

Commented [DS2]: NTD for OEB: Is "specified by" the right way to say this?

Commented [DS3]: NTD for ESP/MoF: Should there be a "temporal" connection too? E.g. "… services that are similar to, and provided at a time that is similar to the time the services are provided by, the FSM …".

(c) the level of the services provided, and

(d) the dollar amount of assets under management;

"funding tranche" means an ~~specific~~ issuance of ~~debt by a financing entity and constitutes all or part of a~~ funding obligations of a particular series, class or type that have the same terms;

"FSM services" means services provided by the Financial Services Manager to financing entities in relation to the management and administration of the financing entities and the investment asset, including in relation to funding obligations incurred or that are planned to be incurred by the financing entities;

"market comparable forecast interest rates" means, in relation to a potential funding tranche described in the submissions mentioned in subsection 6 (3) or 6 (4), interest rates charged by lenders in Canada **[at the time the submissions are made]** for a debt obligation that,

(a) has a principal amount that is comparable to the principal amount of the funding tranche,

(b) has a term that is comparable to the term of the funding tranche **[in terms of length and commencement]**,

(c) is based on a type of instrument that is comparable to the type of instrument of the funding tranche,

(d) has payment rights that are similar to the payment rights of the funding tranche, and

(e) is issued by an issuer with a risk profile comparable to the risk profile of the financing entity issuing the funding tranche;

Commented [DS4]: NTD for OPG/MoF: Should this contemplate "posted" rates rather than rates "charged by"?

"net annual funding obligation" means, in respect of a year, the sum of the principal amounts of funding tranches issued in the year, other than any funding tranches that constitute a refinancing;

(2) For the purposes of determining the average monthly funding obligation for a month, the following formula applies:

$$(A + B) / 2$$

Where,

A = the sum of the balances on the first day of the month of the principal amount of all outstanding funding obligations incurred by financing entities,

B = the sum of the balances on the last day of the month of the principal amount of all outstanding funding obligations incurred by financing entities.

Forecast interest rate

1.1 For the purposes of this Regulation, the Financial Services Manager shall determine the forecast interest rate for a funding tranche that forms part of the net annual funding obligation for a year, by taking into account the following factors:

1. The interest rate for debt of or guaranteed by the Government of Ontario with a term or duration that is comparable to the term or duration of the funding tranche.
[NTD for leg counsel: We are confirming whether we need to refer to both "term" and "duration" here and in 2 ii below (and if yes, how these terms mean different things).]

2. The estimated credit spread, relative to the interest rate described in paragraph 1, for a debt obligation that,

   i. has a principal amount that is comparable to the principal amount of the funding tranche,

   ii. has a term that is comparable to the term of the funding tranche **[in terms of length and commencement]**,

   iii. is based on a type of instrument that is comparable to the type of instrument of the funding tranche, ~~and~~

   iv. has payment rights that are similar to the payment rights of the funding tranche, and

   v. is issued by an issuer with a risk profile comparable to the risk profile of the financing entity issuing the funding tranche.

3. Anticipated fees and commissions expected to be payable in connection with the issuance of the funding tranche.

Fees that may be established, charged

2. (1) For the purposes of subsection 19 (3) of the Act, the fees established and charged by the Financial Services Manager may be charged to financing entities ~~in relation to the management and administration of financing entities and the investment asset, including in relation to funding obligations incurred or that are planned to be incurred by~~for FSM services provided to the financing entities.

(2) A fee mentioned in subsection (1) shall be comprised of a base fee calculated under section [3] and a variable fee calculated under section [6].

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Commented [DS5]: NTD for OPG/MoF: Even if the term is the same length, would the commencement date of the term not also be relevant?

Commented [DS6]: NTD for OPG: Energy Policy is asking whether the fees and commissions are relevant to the determination of the forecast interest rate for the tranche, given that they are recoverable by the FSM under s. 7(2) below.

(3) For the purposes of subsection 19 (3) of the Act, fees may be established and charged by the Financial Services Manager to financing entities for the recovery of costs and expenditures, as provided for in section [7].

(4) The Financial Services Manager shall not establish or charge any fees to financing entities other than those fees provided for under this Regulation.

Base fee

3. (1) Subject to sections [5.1] and [5.2], the Financial Services Manager shall establish the proposed base fee for a month as follows:

1. Determine the amount that is 0.075 per cent of the average monthly funding obligation for the preceding month.

2. Divide the amount determined under paragraph 1 by 12.

(2) The first month in respect of which the base fee may be established is ~~July~~ November 2017.

[OLC Note: Just need to confirm -- will there be an average monthly funding obligation for the month of June 2017? If not, it would not be possible to apply this method in respect of July 2017.] **[NTD for leg counsel: The first funding obligation may not be incurred until around November 2017. The base fee for a month would be zero if there was no average monthly funding obligation for the preceding month (i.e. if it was zero).]**

(3) The Financial Services Manager shall submit to the Board the base fee proposed to be charged in respect of the period from November 1, 2017 to December 31, 2018 no later than October 31, 2017.

(4) The Financial Services Manager shall submit to the Board the base fee proposed to be charged in respect of any year after 2018 no later than 120 days before the start of the year in respect of which the base fee would be charged.

[NTD for leg counsel: Let's move the submission provisions (other than the amendment submission provision) from section 9 to the respective sections that deal with the fee in question. As you will see in s. 6 and 7 below, the submission process will be different for each of the types of fees (base, variable, and costs/expenditures).]

[Further NTD for leg counsel: The Board's review of the base fee for the period from July 1, 2017 to December 31, 2018 will be limited to ensuring that the base fee is calculated correctly (i.e. calculated in accordance with ss. 5 (3)).]

Commented [DS7]: NTD for OPG/OEB: The policy instruction is to provide that costs and expenditures are recoverable so long as they relate to the matters described in s. 7.1(1), and that the Board review the costs and expenditures from that perspective.

In order to implement this instruction and give the Board the authority to review, we have to deem the costs and expenditures to be fees.

Commented [OFA8]: To start – may need to be clarified

Commented [OFA9]: 7.5bps for 2017 and 2018 to be reviewed by the OEB for future years? This subsection says the OEB to review for the initial proposed base fee also.

Commented [DS10]: NTD for OPG/OEB: Ss. 19(4) of the OFHPA requires the Board to approve fees.

Board review of base fee

5.1 (1) The Board shall refuse to approve the proposed base fee mentioned in subsection 5 (3) if the Board is of the view that the proposed base fee was not established in accordance with subsection 3 (1).

(2) If the Board refuses to approve the proposed base fee,

(a) the Board shall provide reasons for the refusal; and

(b) the Financial Services Manager shall submit to the Board a revised proposed base fee that is established in accordance with subsection 3 (1)

[NTD for leg counsel: If the Board does not refuse to approve a proposed base fee under ss. (1) or (3), then we should explicitly say that the Board will approve the proposed base fee. Please tweak ss. 5.1 (1) and (3) accordingly.]

(3) The Board may refuse to approve a proposed base fee mentioned in subsection 5 (4) if the Board is of the view that the proposed base fee is materially inconsistent with market comparable fees.

[OLC Note: Should this section only apply starting January 1, 2019?]

[OLC Note: Are you sure that this is the only reason why the Board can refuse the proposed base fee?]

[NTD for leg counsel: In response to your notes, for the proposed base fee applicable in 2019 and beyond, the only basis upon with the Board can withhold approval is inconsistency with market comparable fees. For the proposed base fee applicable July 1 – Dec31/17 and Jan1 – Dec31/18, the Board can only withhold approval if the base fee is inconsistent with the formula in s. 3(1).]

Commented [DS11]: Explanatory note for OEB: The reg-making powers in s. 19 of the OFHPA don't appear to provide the same ability to impose on the Board (by reg.) the base fee as with the OESP reg-making powers in ss. 79.2(6) of the OEBA.

(~~1.1~~4) If the Board refuses to approve the proposed base fee,

(a) the Board shall provide reasons for the refusal and may make recommendations to the Financial Services Manager regarding the determination of a base fee that is consistent with market comparable fees; and

(b) the Financial Services Manager shall submit to the Board,

(i) a revised proposed base fee that takes into consideration the recommendations of the Board, if any**;** and

(ii) a description of the methodology that the Financial Services Manager has applied to determine the revised proposed base fee, including details concerning the market comparable fees that the Financial Services Manager considered.

(5) **[NTD for leg counsel: Please add a provision that says that the process (i.e. the process outlined in ss. (1) and (2) above, or (3) and (4) above) will be repeated until the Board approves a proposed base fee for the year in question, unless you are of the view that that is already clearly implicit in those provisions.]**

(6) **[NTD for leg counsel: Please add a provision that says that:**

- **Until a new proposed base fee is approved, the FSM may continue to charge the most current Board-approved base fee (if any).**

- **Once the new proposed base fee is approved by the Board, the FSM shall make a "retrospective" adjustment to the base fee (in the month following the month in which the approval is given). The adjustment will be the difference (positive or negative) between the base fee actually charged in the relevant period up to that point, and the new base fee approved by the Board for that period. In other words, the Board approved fee would be "retrospectively" applied to the whole period. By "period" I mean either the initial period from Nov1/17 – Dec31/18 or any calendar year starting with 2019. Note that any amendment to fees (under s. 9.1) would only apply prospectively starting in the month following the month in which the amendments were approved by the Board.]**

Variable fee

6. (1) Subject to subsection (2) and section 6.1, the Financial Services Manager shall establish the variable fee for a year after 2017 as follows:

1. Apply the following formula in respect of each funding tranche that forms part of the net annual funding obligation for the year:

$$(A \times (B - C)) \times 0.05$$

Where,

A = the principal amount of the funding tranche,

B = the forecast interest rate for the funding tranche, and

C = the actual interest rate for the funding tranche.

2. Calculate the sum of the amounts determined by applying the formula under paragraph 1.

(2) If the circumstances set out in Column 1 of the following Table apply in a year, the variable fee payable for a year is subject to the rules set out opposite those circumstances in Column 2 of the Table:

~~Item~~	~~Column 1~~ ~~Circumstances~~	~~Column 2~~ ~~Rules~~
~~1.~~	~~The average annual funding obligations are $10 billion or less.~~	The variable fee payable for the year shall not be more than 1 per cent of the amount that is 5 per cent of the net annual funding obligation for the year. The variable fee payable for the year shall not be less than -1per cent of the amount that is 5 per cent of the net annual funding obligation.
~~2.~~	~~The average annual funding obligations are greater than $10 billion.~~	~~The variable fee payable for the year shall not be more than 2 per cent of the amount that is 5 per cent of the net annual funding obligation for the year.~~ ~~The variable fee payable for the year shall not be less than -2 per cent of the amount that is 5 per cent of the net annual funding obligation for the year.~~

(3) The Financial Services Manager shall make submissions to the Board in respect of the **[variable fee proposed to be charged in 2018, including the]** forecast interest rates for the funding tranches anticipated to be issued in 2018, no later than **[October 31, 2017]**.

(4) The Financial Services Manager shall make submissions to the Board in respect of the variable fee proposed to be charged in any year after 2018, including the forecast interest rates for the funding tranches anticipated to be issued in the year, no later than 120 days before the beginning of the year.

(5) If the Financial Services Manager has not submitted a forecast interest rate under subsection (3) or (4) for a funding tranche that will be issued in a year after 2017, the Board may require the Financial Services Manager to submit a proposed forecast interest rate for the funding tranche **[and may specify the time by which the submission must be made],** or the Board may determine the funding tranche taking into consideration the forecast interest rates submitted by the Financial Services Manager for the year under subsection (3) or (4).

Board review of variable fee

6.1 (1) The Board may refuse to approve a proposed variable fee if the Board is of the view that any forecast interest rate used for the purposes of subsection 6 (1) is inconsistent with ~~[~~market comparable forecast interest rates~~]~~.

[OLC Note: We provide an explanation for how to determine "market comparable fees" but we say nothing about how to determine "market comparable forecast interest rates". Please instruct.]

[NTD for leg counsel: We have created a new defined term "market comparable forecast interest rates" to address this.]

[OLC Note: Are you sure this is the only reason why the Board may refuse the proposed variable fee?] **[NTD for leg counsel: Yes.]**

(2) If the Board refuses to approve the proposed variable fee,

Commented [OFA12]: Delete references to the table and column 1 and column 2, consistent with the comment below.

Commented [OFA13]: In our previous correspondence, dated September 27, 2017 from Ken Kandeepan to Scott Nelms, we suggested deletion of column 1 and item 2.

Commented [DS14]: NTD for OPG/OEB: Is this wording appropriate?

Commented [DS15]: NTD for OPG: The policy instruction is to not require the Board to apply linear interpolation to come up with a forecast interest rate, because the approach would be too prescriptive for this fairly limited subset of total fees.

Commented [OFA16]: Same comment as above. OFA is of the view that there should be no mention of references to securitization vehicles, active managed funds and/or hedge funds or any investments of that sort be included in the regulation. The financing entity has a very different structure and operates differently from securitization vehicles, hedge funds etc., so such market comparable fees/rates referencing such investment types would not be good representation of the benchmark in this situation.

(a) the Board shall provide reasons for the refusal and may make recommendations to the Financial Services Manager regarding each forecast interest rate that the Board found was inconsistent with ~~[~~market comparable forecast interest rates~~]~~; and

(b) the Financial Services Manager shall submit to the Board,

(i) a revised proposed fee that takes into consideration the recommendations of the Board, if any, and

(ii) a description of the methodology that the Financial Services Manager has applied to determine revised forecast interest rates for each funding tranche in respect of which the Board found an inconsistency with ~~[~~market comparable forecast interest rates~~]~~.

~~Fees~~ Reimbursements for costs and expenditures

7. (1) The Financial Services Manager may establish and charge fees for the recovery from a financing entity of any costs and expenditures incurred by the Financial Services Manager,

(a) on behalf of the financing entity in connection with the Financial Services Manager's duties under the Act in relation to the financing entity; or

(b) under a management agreement between the Financial Services Manager and the financing entity, where the agreement provides for the reimbursement of the costs and expenditures.

(2) The costs and expenditures referred to in subsection (1) may include costs and expenditures in respect of the following:

1. Underwriters or selling agents for funding obligations.

2. Banking fees, including structuring fees or work fees.

3. Fees of issuing and paying agents for funding obligations.

4. Fees of trustees.

5. Fees incurred in the preparation of financial statements, financial reports, compliance certificates and tax returns.

6. Fees of legal counsel.

7. Rating agency fees.

8. Filing or registration fees.

9. Direct costs of the Financial Services Manager for employees who are dedicated to providing FSM services to financing entities.

~~(3) The costs and expenditures referred to in subsection (1) shall not include any overhead costs of the Financial Services Manager, including [….].~~
~~[OLC Note: The phrase "overhead costs" seems a bit vague. Examples would help.]~~

Board review of fees for costs, expenditures

7.1 (1) The Board may refuse to approve a proposed fee for costs and expenditures or a portion of a proposed fee for costs and expenditures if the Board is of the view that the proposed fee is in respect of costs and expenditures that were not incurred in relation to the management and administration of financing entities and the investment asset, including in relation to funding obligations incurred or that are planned to be incurred by the financing entities.

(2) If the Board refuses to approve the proposed fee or a portion of the proposed fee, the amount not approved shall not be payable to the Financial Services Manager and the associated costs and expenditures shall not be recoverable by the Financial Services Manager from the financing entity.

~~(a) the Board shall provide reasons for the refusal and may make recommendations to the Financial Services Manager regarding the proposed fee; and~~

~~(b) the Financial Services Manager shall submit to the Board,~~

~~(i) a revised proposed fee that takes into consideration the recommendations of the Board, if any, and~~

~~(ii) a description of how the proposed fee is in respect of costs and expenditures that were incurred in relation to the management and administration of financing entities and the investment asset.~~

Charging of fees

8. (1) Subject to sections [5.1], [6.1] and [7.1], in charging fees, the Financial Services Manager shall provide for,

(a) the base fee for a month to be payable within **[x]** days after the end of the month;

Commented [DS17]: NTD: Need to specify when the base fee is payable.

(b) the variable fee for a year to be payable in the following calendar year in twelve equal monthly instalments that coincide with the payment of the base fee for each month; and

(c) the fee for costs and expenditures for a month to be payable within [x] days after the end of the month.

Commented [DS18]: NTD: Need to specify when the fee for costs and expenditures is payable.

(2) If the variable fee for a year is a negative amount, it shall be deducted in twelve equal monthly instalments from the base fee payable in the following year.

(3) Where there is more than one financing entity, the portion of the fees allocated to and payable by a financing entity shall be based on its proportionate share of the average principal amount of funding obligations for the applicable period.

Commented [DS19]: NTD: Should this be based on the average of the opening and closing balances for the applicable period (e.g. year)?

(4) For the purposes of determining the average principal amount of funding obligations under subsection (3), the formula set out in subsection 1 (2) applies with necessary modifications.
[OLC Note: Please confirm that this works.]

Submissions to Board

9.1 ~~(1) The Financial Services Manager shall make submissions to the Board in respect of fees proposed to be charged in 2018 no later than October 31, 2017.~~

Formatted: section-e

~~(2) The Financial Services Manager shall make submissions to the Board in respect of fees proposed to be charged in respect of any year after 2018 no later than 120 days before the start of the year in respect of which the fees would be charged.~~

~~(3)~~ The Financial Services Manager may, no more frequently than once in any consecutive twelve month period, make submissions to the Board to amend any base fee or variable fee~~s~~ approved by the Board, and the provisions of section [5.1]. [6.1] or [7.1], as applicable, apply in respect of the submissions.

Board approval, general

10. (1) For the purpose of determining whether to approve a proposed fee, the Board shall consider the information provided by the Financial Service Manager in its submission relating to the proposed fee.

(2) For the purpose of determining whether to approve a proposed base fee or variable fee, the Board may consider, as it determines to be appropriate, the advice provided by third party consultants and experts. **[NTD for leg counsel: We want to retain this provision, but the Board noted that they already have this ability without needing to specifically include it here. The Board flagged the risk of an adverse interpretation in other contexts where the Board is not given explicit statutory authority to consider advice of third party consultants and experts. Can we word this ss. 10(2) in such a way that it is just "for greater clarity"?]**

Commencement

11. This Regulation comes into force on the day it is filed.

From: Gadi Mayman
To: Ronald Kwan
Cc: Usman Zahid; Anna Strathy; Mike Manning; Ken Kandeepan
Subject: FW: Rating Agencies views on Fair Hydro
Date: Thursday, April 19, 2018 12:31:36 PM

Hi Ron. The deal ended up coming at 107, which is 32 back of us. We should update our interest calculation based on this.

Thanks,
Gadi

From: Caridia, Alex [mailto:alex.caridia@rbccm.com]
Sent: Thursday, April 19, 2018 9:35 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rating Agencies views on Fair Hydro

Hi Gadi – jus called you for an update on this. As you will have seen books are open at 110 +/-3bps

See that as Ont +35 and Toronto +13bps

Happy to chat more at your convenience

Alex

From: Caridia, Alex
Sent: April 19, 18 7:59 AM
To: Gadi Mayman
Subject: Re: Rating Agencies views on Fair Hydro

Hi Gadi

In short, that's true. Moody's action on Ontario will have no immediate effect on the ratings of FHT. Moody's rates FHT in line with the Province's rating, and has stated that any move on Ontario will also move their ratings on the FH program. However, under securitization methodology, rating directions are not used, so there is no current change on FHT, but if the Province is downgraded, FHT will also be downgraded.

On: 18 April 2018 21:59,
"Gadi Mayman" <Gadi.Mayman@ofina.on.ca> wrote:

Thanks, Alex. I was told that structured finance ratings don't have negative outlooks; the rating is simply the rating, so Moody's putting us on negative outlook doesn't immediately affect their rating of the FHT. It's only if we were to

get downgraded that they would also downgrade FHT. Seems weird to me, but that's what I was told, and given that you've proceeded with the FHT transaction, I assume it's true?

From: Caridia, Alex <alex.caridia@rbccm.com>
Sent: Wednesday, April 18, 2018 5:30:32 PM
To: Gadi Mayman
Subject: Fwd: Rating Agencies views on Fair Hydro

Hi Gadi - FYI

Begin Forwarded Message:
From: "Laham, Chris" <chris.laham@rbccm.com<mailto:chris.laham@rbccm.com>>
Subject: Rating Agencies views on Fair Hydro
Date: 18 April 2018 15:51
To: "+DS-GM-Bond Sales Desk" <DS-GM-BondSalesDesk@rbc.com<mailto:DS-GM-BondSalesDesk@rbc.com>>

Here are some bullet points outlining how each agency views Fair Hydro Trust in the context of the ratings of the Province.
The key point being, Moody's assumes at some point over the horizon of the program the Province will step in, thus linking the ratings. As a reminder, if this were to happen, the Province will assume the debt.

Here is Ian's outline for those that want a deeper dive:

DBRS

* Look at the transaction through a structured finance lens
* Change of law that could invoke a Protection Event is mitigated by the risk the FHT platform would become a liability of the Province, legislation took a long time to draft and pass, adverse change of law could bring into question other Provincial guarantee arrangements
* Significant enhancement (almost 100%) supports the senior notes, as does true-up mechanism, non-bypassability of recovery charge
* Amount of recovery charge is small as a percentage of the overall electricity user bill

Moody's

* The program as structured and under current law and regulations is considered to be of similar credit quality to US utility cost recovery programs rated by Moody's
* However, the FHT program's 30-year term, combined with the pervasive role of the Province and its related entities in many aspects of this transaction, increase the risk that the Province could make future changes to the law or related regulations that could adversely affect the outstanding obligations under the FHT program
* The Provincial guarantee is a mitigant to this risk, but it is not as robust as the constitutional protection found in similar US programs. Accordingly, Moody's has linked the provisional ratings of the notes to the Aa2 rating of the Province
* Future changes to the Province's rating will result in similar changes to the ratings of the notes.

Ian Benaiah | Director, Securitization Finance | RBC Capital Markets | TEL: 416.842.3820 | FAX: 416.842.3888 | ian.benaiah@rbccm.com<mailto:ian.benaiah@rbccm.com>

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From:	Whitfield, Tobias P. (MOF)
To:	Mike Manning; Malle Hanslep (MOF); Thouin, Alena (ENERGY); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com)
Cc:	Ken Kandeepan; Tim Christie (ENERGY); Anna Strathy
Subject:	Fair Hydro Trust - Disclosure Documents
Start:	Wednesday, January 17, 2018 3:30:00 PM
End:	Wednesday, January 17, 2018 4:30:00 PM
Location:	Teleconference

Revising to 3:30.

Setting a time of 1:30, so that the OFA can make it. Let me know if that doesn't work for anyone.

Dial in number to follow.

Toby

_____

From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: January 17, 2018 11:20 AM
To: Whitfield, Tobias P. (MOF); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Christie, Tim (ENERGY); Strathy, Anna (OFA)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Unfortunately not around after 2:30.

Mike

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Wednesday, January 17, 2018 11:08 AM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >; ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>) <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >; Mike Manning <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >; Tim Christie (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >; Anna Strathy <Anna.Strathy@ofina.on.ca <mailto:Anna.Strathy@ofina.on.ca> >
Subject: RE: Fair Hydro Trust - Disclosure Documents

I am available at any time today.

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca <mailto:tobias.whitfield@ontario.ca>
Phone: 416-325-1456

From: Hanslep, Malle (MOF)
Sent: January 17, 2018 10:30 AM
To: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Manning, Mike (OFA); Christie, Tim (ENERGY); Strathy, Anna (OFA)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Hi – Adding Anna Strathy to the email group.

From: Hanslep, Malle (MOF)
Sent: January-17-18 10:27 AM
To: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Manning, Mike (OFA); Christie, Tim (ENERGY)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Sure.

From: Thouin, Alena (ENERGY)
Sent: January-17-18 10:26 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Manning, Mike (OFA); Christie, Tim (ENERGY)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Thanks Malle. Can we set up a call to discuss?
Thank you

Sent with BlackBerry Work
(www.blackberry.com[blackberry.com] <https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blackberry.com&d=DwMFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=qAu7uPTgP4g0cKbUubT-lAGWz0fa9YsUUB66jTaYQPQ&s=93ZPhnXvm3XwZg9h9lmpvKDzVex8a1YR_eZyD3pfHV0&e=>)
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >
Date: Wednesday, Jan 17, 2018, 10:21 AM
To: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >, Whitfield, Tobias P. (MOF) <Tobias.Whitfield@ontario.ca <mailto:Tobias.Whitfield@ontario.ca> >, ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>) <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >
Cc: Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >, Manning, Mike (OFA) <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >, Christie, Tim (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >
Subject: FW: Fair Hydro Trust - Disclosure Documents

Should we discuss this approach? It may have implications for future documents and transactions. I have not had the opportunity to review the changes that were accepted but if we think they are important it would be best to be able to preserve those as the version of the "OM" as a reference document under the Process Agreement for future transactions rather than the initial version they sent us. I realize there is a problem with the 10 days but if we could figure out a way to make the final version (or close to final) become the reference document that would be best. So I'm not sure that we want to write back and just agree with Les that we don't take a contrary view without considering carefully. Technically if the 10 days expire without the Province objecting the document becomes a reference document. I know Toby has drafted a delegation of the powers under the process agreement for MOF/OFA. Not sure what the timing of the deal is right now.

Thanks,

Malle

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: January-17-18 9:45 AM
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF)
Cc: LEE John -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Saulnier, Brett; Ramchandani, Rima; Feldman, Michael; Mansoori, Nina
Subject: RE: Fair Hydro Trust - Disclosure Documents

Dear Alena and Malle,

You will have seen the revised draft of the OM and term sheet circulated by Torys (attached again for reference). A revised draft of the Investor Presentation is also in progress and will be circulated once available. We do not view the changes made to the OM, term sheet or the IP as material (in form or substance) and we would appreciate it if you could confirm that the Province does not take a contrary view. As you know, under the change of law process agreement, OPG is required to certify that these documents are substantially in the form as previously provided to the Province, which we believe is the case. Therefore, there is no reason for us to restart the 10 Business Day clock running following delivery of the revised documents. If you have any concerns with our interpretation or approach please let us know.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com <mailto:leslie.wong@opg.com>

From: Saulnier, Brett [mailto:bsaulnier@torys.com]
Sent: Wednesday, January 17, 2018 1:31 AM
To: VINER, JON <JON.VINER@blakes.com <mailto:JON.VINER@blakes.com> >; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >; Cayley, Daniel (ENERGY) <Daniel.Cayley@ontario.ca <mailto:Daniel.Cayley@ontario.ca> >; Mike Manning <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >; Anna Strathy <Anna.Strathy@ofina.on.ca <mailto:Anna.Strathy@ofina.on.ca> >; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca <mailto:Cindy.Veinot@ontario.ca> >; Mark Donaldson (MOF) <Mark.Donaldson@ontario.ca <mailto:Mark.Donaldson@ontario.ca> >; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca <mailto:Tobias.Whitfield@ontario.ca> >; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >; Ronald Kwan <Ronald.Kwan@ofina.on.ca <mailto:Ronald.Kwan@ofina.on.ca> >; Huang, Jackson (MEDG/MRIS) <Jackson.Huang@ontario.ca <mailto:Jackson.Huang@ontario.ca> >; Sawwaf, Khareem (ENERGY) <Khareem.Sawwaf@ontario.ca <mailto:Khareem.Sawwaf@ontario.ca> >; Lightbody, Ava (ENERGY) <Ava.Lightbody@ontario.ca <mailto:Ava.Lightbody@ontario.ca> >; James Rehob (ENERGY) <James.Rehob@ontario.ca <mailto:James.Rehob@ontario.ca> >; Gadi Mayman (Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca>) <Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca> >
Cc: LEE John -TREASURY <john.s.lee@opg.com <mailto:john.s.lee@opg.com> >; RYFA Ken -TREASURY <ken.ryfa@opg.com <mailto:ken.ryfa@opg.com> >; WONG Leslie -LAWDIV <leslie.wong@opg.com <mailto:leslie.wong@opg.com> >; LADAK Lubna -TREASURY <lubna.ladak@opg.com <mailto:lubna.ladak@opg.com> >; Mansoori, Nina <nmansoori@torys.com <mailto:nmansoori@torys.com> >; Ramchandani, Rima <rramchandani@torys.com <mailto:rramchandani@torys.com> >; Feldman, Michael <mfeldman@torys.com <mailto:mfeldman@torys.com> >
Subject: EXTERNAL – RE: Fair Hydro Trust - Disclosure Documents

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All,

Please find attached revised versions of the Offering Memorandum and Term Sheet. We have accepted the majority of the Province's comments where

appropriate and I have included blacklines of each document against the version circulated by Jon below. The attached also reflect comments received from the IESO and some additional clean-up changes made since the documents were provided to the Province on January 5.

In the interest of time, we are circulating these drafts to all parties concurrently. Accordingly, they remain subject to review and comment by OPG, IESO, the dealers and their respective counsel.

Thanks,
Brett

Brett Saulnier

P. 416.865.8148 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com[na01.safelinks.protection.outlook.com]
[na01.safelinks.protection.outlook.com]

From: VINER, JON [mailto:JON.VINER@blakes.com]
Sent: January-16-18 10:48 AM
To: LEE John -TREASURY <john.s.lee@opg.com <mailto:john.s.lee@opg.com> >; 'ken.ryfa@opg.com' <ken.ryfa@opg.com <mailto:ken.ryfa@opg.com> >; WONG Leslie -LAWDIV <leslie.wong@opg.com <mailto:leslie.wong@opg.com> >; LADAK Lubna -TREASURY <lubna.ladak@opg.com <mailto:lubna.ladak@opg.com> >; Mansoori, Nina <nmansoori@torys.com <mailto:nmansoori@torys.com> >; Saulnier, Brett <bsaulnier@torys.com <mailto:bsaulnier@torys.com> >; Ramchandani, Rima <rramchandani@torys.com <mailto:rramchandani@torys.com> >
Cc: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >; Cayley, Daniel (ENERGY) <Daniel.Cayley@ontario.ca <mailto:Daniel.Cayley@ontario.ca> >; Mike Manning <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >; Anna Strathy <Anna.Strathy@ofina.on.ca <mailto:Anna.Strathy@ofina.on.ca> >; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca <mailto:Cindy.Veinot@ontario.ca> >; Mark Donaldson (MOF) <Mark.Donaldson@ontario.ca <mailto:Mark.Donaldson@ontario.ca> >; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca <mailto:Tobias.Whitfield@ontario.ca> >; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >; Ronald Kwan <Ronald.Kwan@ofina.on.ca <mailto:Ronald.Kwan@ofina.on.ca> >; Huang, Jackson (MEDG/MRIS) <Jackson.Huang@ontario.ca <mailto:Jackson.Huang@ontario.ca> >; Sawwaf, Khareem (ENERGY) <Khareem.Sawwaf@ontario.ca <mailto:Khareem.Sawwaf@ontario.ca> >; Lightbody, Ava (ENERGY) <Ava.Lightbody@ontario.ca <mailto:Ava.Lightbody@ontario.ca> >; James Rehob (ENERGY) <James.Rehob@ontario.ca <mailto:James.Rehob@ontario.ca> >; Gadi Mayman (Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca>) <Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca> >
Subject: Fair Hydro Trust - Disclosure Documents

All,

Please find attached the Province's comments on the offering memorandum, investor presentation and term sheet. We do not have comments on the additional documents circulated on January 5th.

Please let us know if you would like to discuss.

Kind regards,
Jon

Jon Viner
Associate
jon.viner@blakes.com <mailto:jon.viner@blakes.com>
Dir: 416-863-2499

_____

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199 Bay Street, Suite 4000, Toronto ON M5L 1A9
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From:	Whitfield, Tobias P. (MOF)
To:	Mike Manning; Malle Hanslep (MOF); Thouin, Alena (ENERGY); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com)
Cc:	Ken Kandeepan; Tim Christie (ENERGY); Anna Strathy
Subject:	Fair Hydro Trust - Disclosure Documents

Setting a time of 1:30, so that the OFA can make it. Let me know if that doesn't work for anyone.

Dial in number to follow.

Toby

_____
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: January 17, 2018 11:20 AM
To: Whitfield, Tobias P. (MOF); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Christie, Tim (ENERGY); Strathy, Anna (OFA)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Unfortunately not around after 2:30.

Mike

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Wednesday, January 17, 2018 11:08 AM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >; ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>) <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >; Mike Manning <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >; Tim Christie (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >; Anna Strathy <Anna.Strathy@ofina.on.ca <mailto:Anna.Strathy@ofina.on.ca> >
Subject: RE: Fair Hydro Trust - Disclosure Documents

I am available at any time today.

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca <mailto:tobias.whitfield@ontario.ca>
Phone: 416-325-1456

From: Hanslep, Malle (MOF)
Sent: January 17, 2018 10:30 AM
To: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Manning, Mike (OFA); Christie, Tim (ENERGY); Strathy, Anna (OFA)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Hi – Adding Anna Strathy to the email group.

From: Hanslep, Malle (MOF)
Sent: January-17-18 10:27 AM
To: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Manning, Mike (OFA); Christie, Tim (ENERGY)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Sure.

From: Thouin, Alena (ENERGY)
Sent: January-17-18 10:26 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Manning, Mike (OFA); Christie, Tim (ENERGY)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Thanks Malle. Can we set up a call to discuss?
Thank you

Sent with BlackBerry Work
(www.blackberry.com[blackberry.com] <https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blackberry.com&d=DwMFAw&c=qG_YucLTZOaBAapRaQkEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=qAu7uPTgP4g0cKbUubT-lAGWz0fa9YsUUB66jTaYQPQ&s=93ZPhnXvm3XwZg9h9lmpvKDzVex8a1YR_eZyD3pfHV0&e=>)
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >
Date: Wednesday, Jan 17, 2018, 10:21 AM
To: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >, Whitfield, Tobias P. (MOF)

<Tobias.Whitfield@ontario.ca <mailto:Tobias.Whitfield@ontario.ca> >, ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>) <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >
Cc: Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >, Manning, Mike (OFA) <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >, Christie, Tim (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >
Subject: FW: Fair Hydro Trust - Disclosure Documents

Should we discuss this approach? It may have implications for future documents and transactions. I have not had the opportunity to review the changes that were accepted but if we think they are important it would be best to be able to preserve those as the version of the "OM" as a reference document under the Process Agreement for future transactions rather than the initial version they sent us. I realize there is a problem with the 10 days but if we could figure out a way to make the final version (or close to final) become the reference document that would be best. So I'm not sure that we want to write back and just agree with Les that we don't take a contrary view without considering carefully. Technically if the 10 days expire without the Province objecting the document becomes a reference document. I know Toby has drafted a delegation of the powers under the process agreement for MOF/OFA. Not sure what the timing of the deal is right now.

Thanks,

Malle

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: January-17-18 9:45 AM
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF)
Cc: LEE John -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Saulnier, Brett; Ramchandani, Rima; Feldman, Michael; Mansoori, Nina
Subject: RE: Fair Hydro Trust - Disclosure Documents

Dear Alena and Malle,

You will have seen the revised draft of the OM and term sheet circulated by Torys (attached again for reference). A revised draft of the Investor Presentation is also in progress and will be circulated once available. We do not view the changes made to the OM, term sheet or the IP as material (in form or substance) and we would appreciate it if you could confirm that the Province does not take a contrary view. As you know, under the change of law process agreement, OPG is required to certify that these documents are substantially in the form as previously provided to the Province, which we believe is the case. Therefore, there is no reason for us to restart the 10 Business Day clock running following delivery of the revised documents. If you have any concerns with our interpretation or approach please let us know.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com <mailto:leslie.wong@opg.com>

From: Saulnier, Brett [mailto:bsaulnier@torys.com]
Sent: Wednesday, January 17, 2018 1:31 AM
To: VINER, JON <JON.VINER@blakes.com <mailto:JON.VINER@blakes.com> >; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >; Cayley, Daniel (ENERGY) <Daniel.Cayley@ontario.ca <mailto:Daniel.Cayley@ontario.ca> >; Mike Manning <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >; Anna Strathy <Anna.Strathy@ofina.on.ca <mailto:Anna.Strathy@ofina.on.ca> >; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca <mailto:Cindy.Veinot@ontario.ca> >; Mark Donaldson (MOF) <Mark.Donaldson@ontario.ca <mailto:Mark.Donaldson@ontario.ca> >; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca <mailto:Tobias.Whitfield@ontario.ca> >; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >; Ronald Kwan <Ronald.Kwan@ofina.on.ca <mailto:Ronald.Kwan@ofina.on.ca> >; Huang, Jackson (MEDG/MRIS) <Jackson.Huang@ontario.ca <mailto:Jackson.Huang@ontario.ca> >; Sawwaf, Khareem (ENERGY) <Khareem.Sawwaf@ontario.ca <mailto:Khareem.Sawwaf@ontario.ca> >; Lightbody, Ava (ENERGY) <Ava.Lightbody@ontario.ca <mailto:Ava.Lightbody@ontario.ca> >; James Rehob (ENERGY) <James.Rehob@ontario.ca <mailto:James.Rehob@ontario.ca> >; Gadi Mayman (Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca>) <Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca> >
Cc: LEE John -TREASURY <john.s.lee@opg.com <mailto:john.s.lee@opg.com> >; RYFA Ken -TREASURY <ken.ryfa@opg.com <mailto:ken.ryfa@opg.com> >; WONG Leslie -LAWDIV <leslie.wong@opg.com <mailto:leslie.wong@opg.com> >; LADAK Lubna -TREASURY <lubna.ladak@opg.com <mailto:lubna.ladak@opg.com> >; Mansoori, Nina <nmansoori@torys.com <mailto:nmansoori@torys.com> >; Ramchandani, Rima <rramchandani@torys.com <mailto:rramchandani@torys.com> >; Feldman, Michael <mfeldman@torys.com <mailto:mfeldman@torys.com> >
Subject: EXTERNAL – RE: Fair Hydro Trust - Disclosure Documents

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All,

Please find attached revised versions of the Offering Memorandum and Term Sheet. We have accepted the majority of the Province's comments where appropriate and I have included blacklines of each document against the version circulated by Jon below. The attached also reflect comments received from the IESO and some additional clean-up changes made since the documents were provided to the Province on January 5.

In the interest of time, we are circulating these drafts to all parties concurrently. Accordingly, they remain subject to review and comment by OPG, IESO, the dealers and their respective counsel.

Thanks,
Brett

Brett Saulnier

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Toronto, Ontario M5K 1N2 Canada | www.torys.com[na01.safelinks.protection.outlook.com]
 [na01.safelinks.protection.outlook.com]

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To: LEE John -TREASURY <john.s.lee@opg.com <mailto:john.s.lee@opg.com> >; 'ken.ryfa@opg.com' <ken.ryfa@opg.com <mailto:ken.ryfa@opg.com> >; WONG Leslie -LAWDIV <leslie.wong@opg.com <mailto:leslie.wong@opg.com> >; LADAK Lubna -TREASURY <lubna.ladak@opg.com <mailto:lubna.ladak@opg.com> >; Mansoori, Nina <nmansoori@torys.com <mailto:nmansoori@torys.com> >; Saulnier, Brett <bsaulnier@torys.com <mailto:bsaulnier@torys.com> >; Ramchandani, Rima <rramchandani@torys.com <mailto:rramchandani@torys.com> >
Cc: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >; Cayley, Daniel (ENERGY) <Daniel.Cayley@ontario.ca <mailto:Daniel.Cayley@ontario.ca> >; Mike Manning <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >; Anna Strathy <Anna.Strathy@ofina.on.ca <mailto:Anna.Strathy@ofina.on.ca> >; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca <mailto:Cindy.Veinot@ontario.ca> >; Mark Donaldson (MOF) <Mark.Donaldson@ontario.ca <mailto:Mark.Donaldson@ontario.ca> >; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca <mailto:Tobias.Whitfield@ontario.ca> >; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >; Ronald Kwan <Ronald.Kwan@ofina.on.ca <mailto:Ronald.Kwan@ofina.on.ca> >; Huang, Jackson (MEDG/MRIS) <Jackson.Huang@ontario.ca <mailto:Jackson.Huang@ontario.ca> >; Sawwaf, Khareem (ENERGY) <Khareem.Sawwaf@ontario.ca <mailto:Khareem.Sawwaf@ontario.ca> >; Lightbody, Ava (ENERGY) <Ava.Lightbody@ontario.ca <mailto:Ava.Lightbody@ontario.ca> >; James Rehob (ENERGY) <James.Rehob@ontario.ca <mailto:James.Rehob@ontario.ca> >; Gadi Mayman (Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca>) <Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca> >
Subject: Fair Hydro Trust - Disclosure Documents

All,

Please find attached the Province's comments on the offering memorandum, investor presentation and term sheet. We do not have comments on the additional documents circulated on January 5th.

Please let us know if you would like to discuss.

Kind regards,
Jon

Jon Viner
Associate
jon.viner@blakes.com <mailto:jon.viner@blakes.com>
Dir: 416-863-2499

_____

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From:	Whitfield, Tobias P. (MOF)
To:	Mike Manning; Malle Hanslep (MOF); Thouin, Alena (ENERGY); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com)
Cc:	Ken Kandeepan; Tim Christie (ENERGY); Anna Strathy; Ken Kandeepan; Daniel Cayley (ENERGY)
Subject:	Fair Hydro Trust - Disclosure Documents

Updating with teleconference number:

Number: 416-212-8010
Toll Free: 1-866-602-5423
Participant Passcode: 3860643#

Revising to 3:30.

Setting a time of 1:30, so that the OFA can make it. Let me know if that doesn't work for anyone.

Dial in number to follow.

Toby

_____
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: January 17, 2018 11:20 AM
To: Whitfield, Tobias P. (MOF); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Christie, Tim (ENERGY); Strathy, Anna (OFA)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Unfortunately not around after 2:30.

Mike

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To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >; ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>) <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >
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Cc: Kandeepan, Ken (OFA); Manning, Mike (OFA); Christie, Tim (ENERGY); Strathy, Anna (OFA)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Hi – Adding Anna Strathy to the email group.

From: Hanslep, Malle (MOF)
Sent: January-17-18 10:27 AM
To: Thouin, Alena (ENERGY); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Manning, Mike (OFA); Christie, Tim (ENERGY)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Sure.

From: Thouin, Alena (ENERGY)
Sent: January-17-18 10:26 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>)
Cc: Kandeepan, Ken (OFA); Manning, Mike (OFA); Christie, Tim (ENERGY)
Subject: RE: Fair Hydro Trust - Disclosure Documents

Thanks Malle. Can we set up a call to discuss?
Thank you

Sent with BlackBerry Work
(www.blackberry.com[blackberry.com] <https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blackberry.com&d=DwMFAw&c=qG_YucLTZOaBAapRaQkEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=qAu7uPTgP4g0cKbUubT-lAGWz0fa9YsUUB66jTaYQPQ&s=93ZPhnXvm3XwZg9h9lmpvKDzVex8a1YR_eZyD3pfHV0&e=>)
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >
Date: Wednesday, Jan 17, 2018, 10:21 AM
To: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >, Whitfield, Tobias P. (MOF) <Tobias.Whitfield@ontario.ca <mailto:Tobias.Whitfield@ontario.ca> >, ASHBOURNE, STEPHEN (STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com>) <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >
Cc: Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >, Manning, Mike (OFA) <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >, Christie, Tim (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >
Subject: FW: Fair Hydro Trust - Disclosure Documents

Should we discuss this approach? It may have implications for future documents and transactions. I have not had the opportunity to review the changes that were accepted but if we think they are important it would be best to be able to preserve those as the version of the "OM" as a reference document under the Process Agreement for future transactions rather than the initial version they sent us. I realize there is a problem with the 10 days but if we could figure out a way to make the final version (or close to final) become the reference document that would be best. So I'm not sure that we want to write back and just agree with Les that we don't take a contrary view without considering carefully. Technically if the 10 days expire without the Province objecting the document becomes a reference document. I know Toby has drafted a delegation of the powers under the process agreement for MOF/OFA. Not sure what the timing of the deal is right now.

Thanks,

Malle

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: January-17-18 9:45 AM
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF)
Cc: LEE John -TREASURY; LADAK Lubna -TREASURY; RYFA Ken -TREASURY; Saulnier, Brett; Ramchandani, Rima; Feldman, Michael; Mansoori, Nina
Subject: RE: Fair Hydro Trust - Disclosure Documents

Dear Alena and Malle,

You will have seen the revised draft of the OM and term sheet circulated by Torys (attached again for reference). A revised draft of the Investor Presentation is also in progress and will be circulated once available. We do not view the changes made to the OM, term sheet or the IP as material (in form or substance) and we would appreciate it if you could confirm that the Province does not take a contrary view. As you know, under the change of law process agreement, OPG is required to certify that these documents are substantially in the form as previously provided to the Province, which we believe is the case. Therefore, there is no reason for us to restart the 10 Business Day clock running following delivery of the revised documents. If you have any concerns with our interpretation or approach please let us know.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com <mailto:leslie.wong@opg.com>

From: Saulnier, Brett [mailto:bsaulnier@torys.com]
Sent: Wednesday, January 17, 2018 1:31 AM
To: VINER, JON <JON.VINER@blakes.com <mailto:JON.VINER@blakes.com> >; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >; Cayley, Daniel (ENERGY) <Daniel.Cayley@ontario.ca <mailto:Daniel.Cayley@ontario.ca> >; Mike Manning <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >; Anna Strathy <Anna.Strathy@ofina.on.ca <mailto:Anna.Strathy@ofina.on.ca> >; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca <mailto:Cindy.Veinot@ontario.ca> >; Mark Donaldson (MOF) <Mark.Donaldson@ontario.ca <mailto:Mark.Donaldson@ontario.ca> >; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca <mailto:Tobias.Whitfield@ontario.ca> >; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >; Ronald Kwan <Ronald.Kwan@ofina.on.ca <mailto:Ronald.Kwan@ofina.on.ca> >; Huang, Jackson (MEDG/MRIS) <Jackson.Huang@ontario.ca <mailto:Jackson.Huang@ontario.ca> >; Sawwaf, Khareem (ENERGY) <Khareem.Sawwaf@ontario.ca <mailto:Khareem.Sawwaf@ontario.ca> >; Lightbody, Ava (ENERGY) <Ava.Lightbody@ontario.ca <mailto:Ava.Lightbody@ontario.ca> >; James Rehob (ENERGY) <James.Rehob@ontario.ca <mailto:James.Rehob@ontario.ca> >; Gadi Mayman (Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca>) <Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca> >
Cc: LEE John -TREASURY <john.s.lee@opg.com <mailto:john.s.lee@opg.com> >; RYFA Ken -TREASURY <ken.ryfa@opg.com <mailto:ken.ryfa@opg.com> >; WONG Leslie -LAWDIV <leslie.wong@opg.com <mailto:leslie.wong@opg.com> >; LADAK Lubna -TREASURY <lubna.ladak@opg.com <mailto:lubna.ladak@opg.com> >; Mansoori, Nina <nmansoori@torys.com <mailto:nmansoori@torys.com> >; Ramchandani, Rima <rramchandani@torys.com <mailto:rramchandani@torys.com> >; Feldman, Michael <mfeldman@torys.com <mailto:mfeldman@torys.com> >
Subject: EXTERNAL – RE: Fair Hydro Trust - Disclosure Documents

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All,

Please find attached revised versions of the Offering Memorandum and Term Sheet. We have accepted the majority of the Province's comments where

appropriate and I have included blacklines of each document against the version circulated by Jon below. The attached also reflect comments received from the IESO and some additional clean-up changes made since the documents were provided to the Province on January 5.

In the interest of time, we are circulating these drafts to all parties concurrently. Accordingly, they remain subject to review and comment by OPG, IESO, the dealers and their respective counsel.

Thanks,
Brett

Brett Saulnier

P. 416.865.8148 | F. 416.865.7380 | 1.800.505.8679
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Toronto, Ontario M5K 1N2 Canada | www.torys.com[na01.safelinks.protection.outlook.com]
[na01.safelinks.protection.outlook.com]

From: VINER, JON [mailto:JON.VINER@blakes.com]
Sent: January-16-18 10:48 AM
To: LEE John -TREASURY <john.s.lee@opg.com <mailto:john.s.lee@opg.com> >; 'ken.ryfa@opg.com' <ken.ryfa@opg.com <mailto:ken.ryfa@opg.com> >; WONG Leslie -LAWDIV <leslie.wong@opg.com <mailto:leslie.wong@opg.com> >; LADAK Lubna -TREASURY <lubna.ladak@opg.com <mailto:lubna.ladak@opg.com> >; Mansoori, Nina <nmansoori@torys.com <mailto:nmansoori@torys.com> >; Saulnier, Brett <bsaulnier@torys.com <mailto:bsaulnier@torys.com> >; Ramchandani, Rima <rramchandani@torys.com <mailto:rramchandani@torys.com> >
Cc: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca <mailto:Alena.Thouin@ontario.ca> >; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >; Cayley, Daniel (ENERGY) <Daniel.Cayley@ontario.ca <mailto:Daniel.Cayley@ontario.ca> >; Mike Manning <Mike.Manning@ofina.on.ca <mailto:Mike.Manning@ofina.on.ca> >; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca <mailto:Ken.Kandeepan@ofina.on.ca> >; Anna Strathy <Anna.Strathy@ofina.on.ca <mailto:Anna.Strathy@ofina.on.ca> >; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca <mailto:Cindy.Veinot@ontario.ca> >; Mark Donaldson (MOF) <Mark.Donaldson@ontario.ca <mailto:Mark.Donaldson@ontario.ca> >; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca <mailto:Malle.Hanslep@ontario.ca> >; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca <mailto:Tobias.Whitfield@ontario.ca> >; ASHBOURNE, STEPHEN <STEPHEN.ASHBOURNE@blakes.com <mailto:STEPHEN.ASHBOURNE@blakes.com> >; Ronald Kwan <Ronald.Kwan@ofina.on.ca <mailto:Ronald.Kwan@ofina.on.ca> >; Huang, Jackson (MEDG/MRIS) <Jackson.Huang@ontario.ca <mailto:Jackson.Huang@ontario.ca> >; Sawwaf, Khareem (ENERGY) <Khareem.Sawwaf@ontario.ca <mailto:Khareem.Sawwaf@ontario.ca> >; Lightbody, Ava (ENERGY) <Ava.Lightbody@ontario.ca <mailto:Ava.Lightbody@ontario.ca> >; James Rehob (ENERGY) <James.Rehob@ontario.ca <mailto:James.Rehob@ontario.ca> >; Gadi Mayman (Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca>) <Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca> >
Subject: Fair Hydro Trust - Disclosure Documents

All,

Please find attached the Province's comments on the offering memorandum, investor presentation and term sheet. We do not have comments on the additional documents circulated on January 5th.

Please let us know if you would like to discuss.

Kind regards,
Jon

Jon Viner
Associate
jon.viner@blakes.com <mailto:jon.viner@blakes.com>
Dir: 416-863-2499

_____

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Blake, Cassels & Graydon LLP | Barristers & Solicitors | Patent & Trade-mark Agents
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From:	Ken Kandeepan
To:	Scott Nelms (ENERGY)
Cc:	John Psinas; James Devine; Carlos Yep; Gadi Mayman; Anna Strathy; Ronald Kwan; John Kim; Mike Manning; Nadine Petsche (MOF); "Veinot, Cindy (TBS)"
Subject:	Follow up to Conference call with TDS
Date:	Wednesday, May 03, 2017 10:08:57 AM

Hi All

We discussed a number of options with TDS yesterday on the type of equity to be issued by OPG to the Province in relation to the equity injection.

While the preferred equity option did present some attractive features from the perspective of tracking and perhaps an increased level of assurance to the Province with regard to dividend payments, Gadi suggests that we move forward with the common equity option from the twin objectives of simplicity as well as safeguarding the 20% of common equity limitation on the value of preferred equity. The latter is an important criteria from the perspective of the Rating Agencies.

There are a couple of issues yet to be resolved with regard to the common equity option:

- The possibility of issuing common equity as "Class B" shares thus differentiating the share issued by OPG under the equity injection from the existing shares owned by the Province. This makes it easier to track and to accrue dividends.
- The share price attributable to each share issued under the equity injection; approximate book value or some other methodology. Note that OPG's annual report does not indicate a share price, however, the notes to the F/S provide the number of shares and the value of the Province's original investment allowing the reader to work out a per share value of $20 which corresponds to what the Province carries in its own books.

We will work with all of you and consult with TDS on developing options on the above.

Thanks

Ken k

From:	Ken Kandeepan
To:	Scott Nelms (ENERGY)
Cc:	John Psinas; James Devine; Carlos Yep; Gadi Mayman; Anna Strathy; Ronald Kwan; John Kim; Mike Manning; Nadine Petsche (MOF); "Veinot, Cindy (TBS)"
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We will work with all of you and consult with TDS on developing options on the above.

Thanks

Ken k

From:	Gadi Mayman
To:	Anna Strathy
Subject:	Fw: Draft Fees Regulation
Date:	Tuesday, September 26, 2017 1:57:33 PM
Attachments:	Blackline_24180663v1 - 24180663v3.pdf
Importance:	High

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Tuesday, September 26, 2017 12:18:07 PM
To: Gadi Mayman
Cc: Steen Hume (CAB); Mike Manning; Ronald Kwan
Subject: Draft Fees Regulation

Hi Gadi,

I hope NYC is going well and you are finding air conditioning.

We have been working with Steen's team and Energy legal on a draft of the fees regulation for OPG Trust and OFHP. As we progress through this, there are some elements of the regulation that we were hoping you and the OFA team might be able to consider (please see attached a black line for your reference):

- The draft reg outlines a base fee as well as a variable fee.
    - The base fee is provided monthly at an annual rate of 10-basis points for the first two years (we had this initially set at one year but Torys' markup changes this to two years). After 2019, the base fee is provided at an annual rate of 8 basis points should the funding obligations exceed $10B. Does this seem reasonable?
    - The variable fee structure seems consistent with previous discussions (5 basis point fee provided on the spread). Do you think this makes sense?
    - It would also be helpful if the OFA could let us know if the method for calculating the monthly funding obligation is reasonable.
- With respect to costs, our understanding is that these sorts of costs are typically a pass through; can the OFA confirm? The Torys markup removes OEB oversight on costs but we are wondering if there should be a role for the OFA in reviewing / providing oversight in this regard?
    - Also, do the costs they've outlined seem reasonable? In particular, LSB is wondering whether this leaves the door open for OPG to pass through any overhead costs (i.e. should we be explicit about excluding them)?
- On timing, the draft reg currently contemplates a fee application by OPG every two years regardless of what interest rates are in the market. Do we think this is fair or should the application occur annually? (Note that until new fees are established, the old fees are still in effect).

In terms of next steps, OPG would like to get a draft to their Board in time for the meeting on Friday.

ENERGY LSB is hoping for comments by tomorrow. I don't think we need anything too detailed or formal, but a quick sniff test would be useful to ensure we are on the right track.

Thanks for your help,
Scott

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ONTARIO REGULATION

made under the

ONTARIO FAIR HYDRO PLAN ACT, 2017

FEES

Definitions

1. (1) In this Regulation,

"average monthly funding obligation" means, in respect of a month, the amount determined in accordance with subsection (2);

"average annual funding obligation" means, in respect of a year, the sum of the average monthly funding obligations for the year;

"comparison fees" means ~~typical fees~~**market comparable fees, expressed as a per annum percentage rate,** charged by ~~[service providers?~~**asset** managers~~?]~~ ~~in Ontario~~ **in Canada and any other jurisdiction as may be determined by the Board** for services that are similar to the services provided by the Financial ~~Service Manger~~**Services Manager** under the Act in terms of,

(a) the type of services provided, being services in respect of funds including securitization vehicles, pension funds, other investment funds, hedge funds and other similar funds ~~in Ontario~~,

(b) the scope of the services provided, ~~and~~

(c) the level of the services provided**, and**

(d) the amount of assets under management;

"forecast interest rate" means, in respect of each tranche of funding obligations, an interest rate forecast to be applicable to such tranche of funding obligations after taking into account (i) the interest rate for debt of or guaranteed by the Province of Ontario with a corresponding term or duration, (ii) the estimated credit spread for such tranche of funding obligations with a comparable term and based on the type of instrument and risk of the issuer, and (iii) anticipated fees and commissions expected to be payable in connection with the issuance of such tranche of funding obligations.

"net annual funding obligation" means, in respect of a year, the sum of the principal amounts of funding obligations incurred by financing entities in a year~~, other than any refinancing~~;

(2) For the purposes of determining the average monthly funding obligation for a month, the following formula applies:

$$(A + B) / 2$$

Where,

A = the sum of the balances**, as** at **12:00 am on** the ~~start~~**first calendar day** of the month**,** of the principal amount of all **outstanding** funding obligations ~~incurred by~~**for all** financing entities,

2

B = the sum of the balances**, as** at **11:59 pm on** the ~~end~~**last calendar day** of the month**,** of the principal amount of all **outstanding** funding obligations ~~incurred by~~**for all** financing entities.

Fees that may be established, charged

2. (1) For the purposes of subsection 19 (3) of the Act, the fees established and charged by the Financial Services Manager may be charged to financing entities in relation to **the management and administration of financing entities and the investment asset, including in relation to** funding obligations incurred or that are planned to be incurred by the financing entities.

(2) A fee mentioned in subsection (1) shall be comprised of a base fee calculated under section [3, 4 or 5], as the case may be, and a variable fee calculated under section [6].

(3) ~~For the purposes of subsection 19 (3) of the Act, fees may be~~**Out-of-pocket costs and expenses of the financing entities incurred by the Financial Services Manager on behalf of the financing entities and for which the Financial Services Manager is entitled to reimbursement under a** management agreement with **such financing entity shall not constitute a fee** established and charged by the Financial Services Manager ~~to financing entities for the recovery of costs and expenditures, as provided for in section 7.~~**under subsection 19(3)**

of the Act.[1] The costs and expenditures of the financing entities referred to in this subsection (3) may include costs and expenditures in respect of the following:

1. Underwriters or selling agents for funding obligations**;**

2. **Banking fees, including structuring fees or work fees;**

3. Fees of issuing and paying agents for funding obligations**;**

4. **Fees of trustees;**

5. Fees incurred in the preparation of financial statements, financial reports, compliance certificates and tax returns**;**

6. Fees of legal counsel**;**

7. **Rating agency fees; and**

8. Filing or registration fees.

(4) The Financial Services Manager shall not establish or charge any fees to financing entities other than those provided for under this ~~R~~egulation.

Base fee, 2018 and 2019

3. Subject to section 5.1, the base fee for a month in the ~~year~~**calendar years** 2018 **and 2019** shall be calculated using the following formula:

$$(0.1 \times B) / 12$$

Where,

B = the average monthly funding obligation for the preceding month.

Base fee, after ~~2018,~~2019, average annual funding obligation greater than $10 billion

4. (1) This section applies for the purpose of calculating the base fee for a month in any year following ~~2018~~**2019** if the average annual funding obligation for the preceding year was greater than $10 billion.

[1] These represent third party costs and expenses of the financing entity, not part of the fees that OPG is charging the financing entity. From time to time, OPG may have to pay these upfront costs on behalf of financing entities but they will be a pass-through cost for which OPG would simply be reimbursed by the financing entity. Other than OPG's fees, the costs and expenditures of financing entities are not subject to OEB review under the Act but rather are recoverable as expenses through the CEA (and through IESO during the moratorium). Subsection (3) in this draft was added for greater certainty to ensure there was no misunderstanding.

(2) Subject to section 5.1, the base fee for the month shall be calculated using the following formula:

$$(0.08 \times B) / 12$$

Where,

B = the average monthly funding obligation for the preceding month.

Base fee, after ~~2018,~~2019, average annual funding obligation $10 billion or less

5. (1) This section applies for the purpose of calculating the base fee for a month in any year following ~~2018~~2019 if the average annual funding obligation for the preceding year was equal to or less than $10 billion.

(2) Subject to section 5.1, the base fee for the month shall be calculated using the following formula:

$$(0.1 \times B) / 12$$

Where,

4

B = the average monthly funding obligation for the preceding month.

Board review of base fee

5.1 If the Board, after reviewing a submission in respect of a proposed base fee by the Financial Services Manager under section 9, is of the view that applying the applicable formula set out in section 3, 4 or 5 results in a base fee that is inconsistent with prevailing comparison fees, the Board may refuse to approve the proposed fee. If the Board refuses to approve the proposed base fee submitted by the Financial Services Manager under section 9, the Board shall provide its reasons for such refusal and ~~may~~ make recommendations to the Financial Services Manager regarding the determination of a base fee that is consistent with comparison fees~~.~~ and based on the methodology used in the formulas set out in section 3, 4 and 5.

Variable fee

6. (1) Subject to subsection (2) and section 6.1, the variable fee for a year shall be the sum of the amounts of each tranche of net annual funding obligations for the year, calculated by using the following formula~~:~~ (which in respect of individual tranches may result in a negative number):

$$(A \times (B - C)) \times 0.05$$

Where,

A = the principal amount of the tranche,

B= the forecast interest rate for the tranche, as determined by the Financial Services Manager before the start of the year, based on the term of the tranche, and

C = the actual interest rate for the tranche.

(2) If the circumstances set out in Column 1 of the following Table apply in a year, the variable fee payable for a year is subject to the rules set out opposite the circumstances in Column 2 of the Table:

Item	Column 1 Circumstances	Column 2 Rules
1.	The average annual funding obligations are $10 billion or less.	The variable fee payable for the year shall not be more than 1 per cent of the amount that is 5 per cent of the net annual funding obligation for the year. The variable fee payable for the year shall not be less than -1per cent of the amount that is 5 per cent of the net annual funding obligation.
2.	The average annual funding obligations are greater than $10 billion.	The variable fee payable for the year shall not be more than 2 per cent of the amount that is 5 per cent of the net annual funding obligation for the year. The variable fee payable for the year shall not be less than -2 per cent of the amount that is 5 per cent of the net annual funding obligation for the year.

Board review of variable fee 5

6.1 If the Board, after reviewing a submission in respect of a proposed variable fee by the Financial Services Manager under section 9, is of the view that the forecast interest rate used for the purposes of the formula set out in subsection 6 (1) is ~~[unreasonable]~~**not consistent with market comparable forecast interest rates**, the Board may refuse to approve the proposed fee**. If the Board refuses to approve the proposed variable fee submitted by the** Financial Services Manager **under section 9, the Board shall provide its reasons for such refusal** and ~~may~~ make recommendations to the Financial Services Manager regarding the forecast interest rate that is ~~reasonable.~~**consistent with market comparable forecast interest rates.**

~~**Fees for costs and expenditures**~~

~~**7.** (1) The Financial Services Manager may establish and charge fees for the recovery from a financing entity of any costs and expenditures incurred in connection with the Financial Services Manager's duties under the Act in relation to the financing entity or under any management agreement with the financing entity.~~

~~(2) The costs and expenditures referred to in subsection (1) may include costs and expenditures in respect of the following:~~

~~1. Underwriters or selling agents for funding obligations.~~

~~2. Banking fees.~~

3. ~~Fees of issuing and paying agents for funding obligations.~~

4. ~~Fees of trustees.~~

5. ~~Fees incurred in the preparation of financial statements, financial reports, compliance certificates and tax returns.~~

6. ~~Fees of legal counsel.~~

7. ~~Filing or registration fees.~~

8. ~~Fees of any third party independent consultants required to be retained under the Act.~~

~~**Board review of fees for costs, expenditures**~~

~~**7.1** If the Board, after reviewing a submission in respect of a proposed fee for costs and expenditures by the Financial Services Manager under section 9, is of the view that the proposed fee is in respect of costs and expenses that were [not prudently incurred, or not incurred in relation to funding obligations incurred or that are planned to be incurred by financing entities], the Board may refuse to approve the proposed fee or a portion of the proposed fee and may make recommendations to the Financial Services Manager regarding the proposed fee.~~

Charging of fees

8. (1) In charging fees, the Financial Services Manager shall provide for,

(a) the base fee for a month to be payable within **[x]** days after the end of the month; and

(b) the variable fee for a year to be payable in the following calendar year in twelve equal monthly instalments that coincide with the payment of the base fee for each month.

(2) If the variable fee is a negative amount, it shall be deducted from the base fee payable in the following calendar year in twelve equal monthly instalments.

(3) Where there is more than one financing entity, the portion of the fees allocated to and payable by a financing entity shall be based on its proportionate share of the average principal amount of funding obligations for the applicable period.

Submissions to Board re fees

9. (1) The Financial Services Manager shall make submissions to the Board in respect of the fees proposed to be charged under section ~~5.1, 6.1~~**5.1** and ~~7.1~~**6.1.**

(2) The first submission **for proposed fees to be charged for a two year period commencing in 2018** shall be made no later than [October 31, 2017].

(3) ~~The submission for each calendar year starting with 2019~~**Submissions for proposed fees to be charged for a two year period commencing in 2020 and for every two year period thereafter** shall be made no later than [120 days] before the start of the **applicable two** year **period**.

(4**) Submissions to amend the proposed fees for a month in any year following approval of the proposed fees for any two year period may be made from time to time but no more frequently than once in any 12 month period and no later than 120 days before the start of the year in which such fees are proposed to be effective.**

(5) If the Board makes recommendations as described in section ~~5.1, 6.1~~**5.1** or ~~7.1,~~**6.1,** the Financial Services Manager shall submit to the Board,

(a) a revised proposed fee that takes into consideration the recommendations of the Board, and in the case of the base fee is consistent with comparison fees;

(b~~)~~ ~~a description of the methodology that the Financial Services Manager has applied to determine the revised proposed fee;~~

(~~c~~) in the case of the base fee, details concerning the comparison fees that the Financial Services Manager considered; **and**

(~~d~~**c**) in the case of the variable fee, a description of the methodology that the Financial Services Manager has applied to determine forecast interest rates in respect of tranches of the net annual funding obligations~~; and~~**.**

(~~e) in the case of a proposed fee for costs and expenditures by the Financial Services Manager, the rationale for the costs and expenditures having been [prudently incurred, and having been incurred in relation to funding obligations incurred or that are planned to be incurred by financing entities]~~ **6) Until the Board has approved the fees in respect of any two year period, the fees approved for the prior two year period shall remain in effect.**

Board approval, general

10. (1) ~~The Board may approve a proposed fee submitted by the Financial Services Manager or refuse to approve and refer the proposed fee back to the Financial Services Manager with the Board's recommendations.~~

~~[OLC Note: As noted by ENE LSB, there is some redundancy at the moment between section 10 and sections 5.1 and 6.1. This matter will be addressed in a subsequent draft when we have settled the Board approval process for each of the various scenarios (e.g. base fee; variable fee; costs/expenditures fee).]~~

~~(2) The Board may specify in its approval that a fee payable in respect of any period beginning on or after July 1, 2017.~~(3) For the purpose of determining whether to approve a proposed fee~~,~~ **described in section 5.1 or 6.1,**

(a) the Board shall consider the information provided by the Financial Service Manager in its submission relating to the proposed fee~~.~~**; and**

(~~4) For the purpose of determining whether to approve a proposed fee,~~ **b)** the Board may consider advice provided by the Ontario Financing Authority [with respect to comparison fees, annual rates and forecast interest rates].

[OLC Note re DEFERRAL ACCOUNT:
1. You included the following instruction that would require the FSM to establish a deferral account -- what is the authority for imposing this requirement? Recall that in subs. 34 (1) of the Act, the Board is given authority to require that the FSM maintain specific accounts.

2. ENE LSB note: *Necessity of this provision to be discussion with the OEB given that fees will be recovered as a financing entity expense through the Fair Hydro program and not as part of the fees to be approved by the Board.*]

[If needed, deferral provision could be along the following lines: The Financial Services Manager shall establish a deferral account in connection with subsection 19 (3) of the Act that records costs incurred by the Financial Services Manager in providing services referred to in section 1 during the period from July 1, 2017 to the day before the date of the Board's first order under subsection 19 (3) of the Act.]

[OLC Note re FINANCE AMOUNT: You included the following instruction, but I think this more properly belongs somewhere in section 5 of O. Reg. 206/17? In fact, are these fees not already covered in that section (perhaps under "financing entity expenses"?). Please confirm: *Fees established by the Financial Services Manager and approved by the Board, and any applicable taxes on such fees, shall be included in the definition of "expenses" for the purposes of determining finance amounts under the Act.*]

[Notes Re: Determining Fees:

(1) An alternative approach involves the Board approving the initial base fee and variable fee, with any changes to those fees being triggered by the FSM submitting to the Board proposed amendments to those fees (or the Board triggering a review on its own initiative (not more than once per year). However, because interest rates (and hence forecast interest rates) change over time (and can change even within a year), consider whether variable B of the variable fee should be approved annually. Similarly, because trends for "market comparable fees charged by service providers for similar services" change over time, consider whether variable A of the base fee should be approved annually.]

(2) Once every three years after the Board has approved the fees submitted by the Financial Services Manager under section 3, or more frequently if the Board requires but not more frequently than annually, the Board may require the Financial Services Manager to engage, on behalf of and at the cost of the financing entities, a third-party independent consultant to review and advise as to the appropriate benchmarks and range of values for [annual rates?] used for the purpose of determining the base fee and forecast interest rates used for the purposes of determining the variable fee and shall give due consideration to such advice.]

Commencement

x. This Regulation comes into force on the day it is filed.

Document comparison by Workshare Compare on September-23-17 6:39:45 PM

Input:	
Document 1 ID	interwovenSite://INVENTORYS1/TorysAtWork/24180663/1
Description	#24180663v1<TorysAtWork> - Fair Hydro Fee Regs (Torys Comments)
Document 2 ID	interwovenSite://INVENTORYS1/TorysAtWork/24180663/3
Description	#24180663v3<TorysAtWork> - Fair Hydro Fee Regs (Torys Comments)
Rendering set	Firm_Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	70
Deletions	58
Moved from	8
Moved to	8
Style change	0
Format changed	0
Total changes	144

From: Gadi Mayman
To: Anna Strathy
Subject: Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date: Friday, September 08, 2017 1:21:39 PM

Original Message
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Friday, September 8, 2017 12:38 PM
To: Anna Strathy; Ken Kandeepan; Carlos Yep; James Devine; Gadi Mayman; Mike Manning; Tobias P. Whitfield (MOF); John Kim
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

What we are hearing on the call is that term debt is expected to be issued in late November just as Mike's info indicated.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Anna Strathy
Sent: Friday, September 8, 2017 12:33
To: Kandeepan, Ken (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA); Hanslep, Malle (MOF); Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Kim, John (OFA)
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Adding myself to this email chain.

Anna

-----Original Message-----
From: Gadi Mayman
Sent: Friday, September 08, 2017 12:14 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Original Message
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Friday, September 8, 2017 12:08 PM
To: Mike Manning; Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine; Gadi Mayman
Cc: Mike Manning
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Would the late September early Oct:ober issuance be expected to benefit from the provincial support agreement?

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Mike Manning
Sent: Friday, September 8, 2017 12:04
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)

Cc: Manning, Mike (OFA)
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

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Regards, Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Friday, September 08, 2017 11:39 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Slightly different question. Have you seen a draft of the financing plan or know when it might be available?

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Hanslep, Malle (MOF)
Sent: Friday, September 8, 2017 11:36
To: Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Yes we just got this from Energy

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Sent: Friday, September 8, 2017 11:02
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Subject: FW: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Hi Guys:
Not sure if you have seen this but passing it along. We may want to have this option, but running out of time.

Mike

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: Thursday, September 07, 2017 4:20 PM
To: James Rehob (ENERGY) <James.Rehob@ontario.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Dear James,

During the discussions of the Provincial guarantee at a recent Thursday rate mitigation meeting, OPG raised the issue of potential acceleration of financing entity debt where the guarantee is not applicable. That would occur if

there is an event of default (e.g. if the trust is not able to pay/service the debt) for a reason that doesn't trigger the guarantee (e.g. for a reason other than a change of the legislation).

When there is an acceleration, all of the principal amount becomes due and a large payment would need to be made by the financing entity to bondholders. If the acceleration occurs after the moratorium period, the amount payable to bondholders would be put through the Clean Energy Adjustment to specified consumers. That could result in a significant increase in consumer bills in a short period of time.

We understand that the Province may not want consumers to experience such a sharp bill increase. We discussed the Dealers whether the Province could be given the option to cure an event of default of a financing entity before it results in acceleration of debt. The Dealers were amenable to providing this option.

When we raised this possibility, the Province indicated it would like to have such an option, and asked us to put together a note describing the terms.

Please find attached a note describing the proposed terms of the option.

Let us know if you have any questions or comments, or if this should be directed to someone else.

Regards,

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Senior Counsel
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T: (416) 592-3110 | E: leslie.wong@opg.com<mailto:leslie.wong@opg.com>

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From: Gadi Mayman
To: Anna Strathy
Subject: Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date: Friday, September 08, 2017 12:13:46 PM

I'll let you insert yourself into this chain, so I don't miss passing one on to you.

Gadi

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From: Gadi Mayman
To: Anna Strathy
Subject: Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date: Friday, September 08, 2017 12:09:26 PM

Original Message
From: Mike Manning <Mike.Manning@ofina.on.ca>
Sent: Friday, September 8, 2017 12:04 PM
To: Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine; Gadi Mayman
Cc: Mike Manning
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

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Sent: Friday, September 08, 2017 11:39 AM
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From:	Gadi Mayman
To:	Anna Strathy
Subject:	Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date:	Friday, September 08, 2017 12:08:25 PM
Attachments:	Memorandum on Acceleration Proposal.docx

From: Mike Manning <Mike.Manning@ofina.on.ca>
Sent: Friday, September 8, 2017 11:02 AM
To: Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine; Gadi Mayman
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To: James Rehob (ENERGY) <James.Rehob@ontario.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Dear James,

During the discussions of the Provincial guarantee at a recent Thursday rate mitigation meeting, OPG raised the issue of potential acceleration of financing entity debt where the guarantee is not applicable. That would occur if there is an event of default (e.g. if the trust is not able to pay/service the debt) for a reason that doesn't trigger the guarantee (e.g. for a reason other than a change of the legislation).

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asked us to put together a note describing the terms.

Please find attached a note describing the proposed terms of the option.

Let us know if you have any questions or comments, or if this should be directed to someone else.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 **|** E: leslie.wong@opg.com

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Memorandum

To: Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance (the "**Province**")

Date: August 30, 2017

From: Ontario Power Generation Inc.

Subject: Acceleration of Ontario Fair Hydro Plan Act Obligations

Under the *Ontario Fair Hydro Plan Act*, 2017, clean energy adjustments are designed to recover the "funding obligations" and "finance amounts" (as defined in the Act and regulations thereunder, respectively, collectively referred to as the "**Obligations**") that become due during a reference period (each generally a six month period). This means that if there is an event of default under the master trust indenture (the "**Indenture**") that is not or cannot be cured, the full amount of the accelerated Obligations may become due and payable and be included in the calculation of the clean energy adjustments for the next reference period. Furthermore, it is likely that all funding obligations will be cross-defaulted to each other, so acceleration of one series of funding obligations will likely result in acceleration of all funding obligations. Accordingly, electricity rates for specified consumers would be set at a rate for a six-month period that would result in repayment in full of all outstanding and accelerated Obligations. On the assumption that all interested parties would like to avoid such a scenario, we have discussed with the dealers the following as an approach in the context of an event of default:

1. Upon the occurrence of a Default under the Indenture (being an event which, with the passage of time or giving of notice could become an Event of Default), the Province would have the following rights:

(a) a right to receive written notice from the trustee under the Indenture (at the same time that such trustee provides a notice to the financing entity through OPG as the manager) that a Default has occurred;

(b) in the event of the occurrence of an Event of Default that is not based upon the occurrence of a Default followed by a cure period (such as insolvency of the financing entity), a right to receive written notice from the trustee under the Indenture that an Event of Default has occurred; and

(c) a right to cure the Default or the Event of Default, as the case may be, within a specified cure period, which will run concurrently with any cure period available under the Indenture with respect to the applicable Event of Default.

2. The Indenture will provide that notwithstanding the occurrence of an Event of Default, the Obligations may not be accelerated until the expiry of the cure period available to the Province. If the Default or Event of Default in question cannot be cured by the Province on behalf of the financing entity within this cure period, then the Province will have the option to "cure" and avoid acceleration of the Obligations by assuming those Obligations. This option would be set out in the provincial protection and assurances agreement. In such circumstances, as in the case of a change of law, the Fair Hydro program would be discontinued and the Obligations owing under the program would be those of the Province.

From: Gadi Mayman
To: Anna Strathy
Subject: Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date: Friday, September 08, 2017 12:08:00 PM

Original Message
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Friday, September 8, 2017 11:39 AM
To: Mike Manning; Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine; Gadi Mayman
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Slightly different question. Have you seen a draft of the financing plan or know when it might be available?

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Hanslep, Malle (MOF)
Sent: Friday, September 8, 2017 11:36
To: Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Yes we just got this from Energy

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Mike Manning
Sent: Friday, September 8, 2017 11:02
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Subject: FW: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Hi Guys:
Not sure if you have seen this but passing it along. We may want to have this option, but running out of time.

Mike

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: Thursday, September 07, 2017 4:20 PM
To: James Rehob (ENERGY) <James.Rehob@ontario.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
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From: Gadi Mayman
To: Anna Strathy
Subject: Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date: Friday, September 08, 2017 12:07:47 PM

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From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Friday, September 8, 2017 11:36 AM
To: Mike Manning; Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine; Gadi Mayman
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

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To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
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From: Gadi Mayman
To: Anna Strathy
Subject: Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date: Friday, September 08, 2017 1:21:50 PM

Original Message
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Friday, September 8, 2017 12:44 PM
To: Mike Manning; Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine; Gadi Mayman
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

There was a bit of discussion on the call about the sub debt too so it might be useful to schedule an internal call for the Province including Energy and Blakes although this may be more of a business issue.
Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Mike Manning
Sent: Friday, September 8, 2017 12:37
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

No it wouldn't, but that is a good question. I have been assuming that the provincial support agreement would only apply to the 51% senior debt, but OPG just let me know that the subordinated debt will be quite a bit more expensive without a provincial support agreement. Roughly, they currently estimate that the senior debt will be priced 20-25 bps over the Province of Ontario. The subordinated they see about 100 bps back of the Senior if it has a provincial support agreement. They are now indicating, based on dealer feedback, that without a provincial support agreement, the subordinated will be about 100-200 bps more expensive if it doesn't have a provincial support agreement. Anyway, I don't think we should be expanding the support to the subordinated debt as this will greatly increase the Province's exposure. We may have to address ways to keep the subordinated more cost-effective. Thoughts appreciated.

Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Friday, September 08, 2017 12:09 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Would the late September early Oct:ober issuance be expected to benefit from the provincial support agreement?

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Mike Manning
Sent: Friday, September 8, 2017 12:04
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos

(OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Cc: Manning, Mike (OFA)
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

OPG doesn't have a full financing plan at this time. I believe they are hoping to firm up numbers from Energy fairly shortly, before they meet the ratings agencies. They are currently thinking of issuing $300 to $500 million in late September/early October. Roughly $125 million of this will be to fund the subordinated (5% requirement on roughly $2.5 billion of annual funding). The senior debt (the 51% that we are focussing on) is roughly planned for late November with roughly $400 million of issuance and then follow-up issuance on a fairly regular basis thereafter. Hope this is helpful.
Regards, Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Friday, September 08, 2017 11:39 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
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Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
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From: Gadi Mayman
To: Anna Strathy
Subject: Fw: Fair Hydro -- Drafts of DOT and Management Agreement
Date: Sunday, September 10, 2017 6:56:19 PM
Attachments: ATT00001.htm
Fair Hydro - Management Agreement.docx
ATT00002.htm
Declaration of Trust - Fair Hydro.docx
ATT00003.htm

Some light reading for your entertainment.

Original Message
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Sunday, September 10, 2017 2:10 PM
To: Gadi Mayman; Mike Manning; Ken Kandeepan; Carlos Yep; James Devine; Ronald Kwan; John Kim
Cc: Tobias P. Whitfield (MOF); Elcombe, James (MOF)
Subject: FW: Fair Hydro -- Drafts of DOT and Management Agreement

FYI. Some further background documents.

-----Original Message-----

From: ASHBOURNE, STEPHEN [mailto:STEPHEN.ASHBOURNE@blakes.com]

Sent: September-08-17 8:43 PM

To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Rehob, James (ENERGY); Elcombe, James (MOF); McKinlay, Tom (ENERGY); Thouin, Alena (ENERGY)

Subject: Fwd: Fair Hydro -- Drafts of DOT and Management Agreement

FYI. I don't expect these documents will advance our understanding of the points of interest as they are basic structural documents regarding the administration of the FE, rather than the obligations to be incurred by the FE. Regards, Steve

Stephen R. Ashbourne

Partner

stephen.ashbourne@blakes.com<mailto:stephen.ashbourne@blakes.com>

Dir: 416-863-3086<tel:416-863-3086>

_____

[cid:image8c4407.GIF@45a0c203.449e6f26]

Blake, Cassels & Graydon LLP

199 Bay Street, Suite 4000, Toronto ON M5L 1A9

Tel: 416-863-2400 Fax: 416-863-2653

blakes.com<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blakes.com&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=l8qQczjQCnnVONkBinqAojHR4EW4NtafcLj0O0tDtbw&s=o0DmAbYbHVVcciqO0UKWMzaVH9R3HRd_RabdzGnHHrY&e= > | Twitter<https://urldefense.proofpoint.com/v2/url?u=http-3A__twitter.com_BlakesLaw_&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=l8qQczjQCnnVONkBinqAojHR4EW4NtafcLj0O0tDtbw&s=Yu13XGYcl9aUjBB4gzZchCpUYxm4UenCNhalYoV-MEg&e= > | Unsubscribe<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blakes.com_English_Resources_Bulletins_Pages_unsubscribe.aspx&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=l8qQczjQCnnVONkBinqAojHR4EW4NtafcLj0O0tDtbw&s=1VJVsFT1yNbnIpJoIr23ik4GJMQvkG6Iybrq2a-ch88&e= >

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Begin forwarded message:

From: "Mansoori, Nina" <nmansoori@torys.com<mailto:nmansoori@torys.com>>

Date: September 8, 2017 at 6:32:42 PM EDT

To: "'ASHBOURNE, STEPHEN"' <STEPHEN.ASHBOURNE@blakes.com<mailto:STEPHEN.ASHBOURNE@blakes.com>>

Cc: "Feldman, Michael" <mfeldman@torys.com<mailto:mfeldman@torys.com>>, "Ramchandani, Rima" <rramchandani@torys.com<mailto:rramchandani@torys.com>>, "Olusoga, Yinka" <yolusoga@torys.com<mailto:yolusoga@torys.com>>, "Saulnier, Brett" <bsaulnier@torys.com<mailto:bsaulnier@torys.com>>, "Mansoori, Nina" <nmansoori@torys.com<mailto:nmansoori@torys.com>>

Subject: RE: Fair Hydro -- Drafts of DOT and Management Agreement

Steve, as requested, attached are our current working drafts of the Fair Hydro Management Agreement and the Declaration of Trust. Please note that these drafts are still in progress and, in particular, are subject to revision to reflect comments from OPG and the broader working group, as well as finalization of the other transaction documents.

Please let us know if you have any comments or questions on the attached.

Best Regards,

Nina

Nina Mansoori

P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679

79 Wellington St. W., 30th Floor, Box 270, TD South Tower Toronto, Ontario M5K 1N2 Canada | www.torys.com<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=l8qQczjQCnnVONkBinqAojHR4EW4NtafcLj0O0tDtbw&s=LPjA_z6DRK528R-cE3VVsW_pEFHNkTqc23mpsuuqmCQ&e= >

<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=l8qQczjQCnnVONkBinqAojHR4EW4NtafcLj0O0tDtbw&s=LPjA_z6DRK528R-cE3VVsW_pEFHNkTqc23mpsuuqmCQ&e= >

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MANAGEMENT AGREEMENT

between

[FINANCING ENTITY]
as Issuer

- and -

ONTARIO POWER GENERATION INC.
as Manager

Acknowledged and Accepted by

■
as Indenture Trustee

Dated as of ■, 2017

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MANAGEMENT AGREEMENT

THIS AGREEMENT made as of ■, 2017,

BETWEEN:

[FINANCING ENTITY], a trust formed under the laws of the Province of Ontario

(the "**Issuer**")

- and -

ONTARIO POWER GENERATION INC., a corporation established under the laws of the Province of Ontario

(the "**Manager**")

- acknowledged and accepted by -

[INDENTURE TRUSTEE], a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee

(the "**Indenture Trustee**")

WHEREAS the Government of Ontario has passed the *Ontario Fair Hydro Plan Act, 2017* (the "**Act**") for the purpose of, among other things, ensuring that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers;

AND WHEREAS Ontario Power Generation Inc. has been appointed as Financial Services Manager under the Act to, among other things, evaluate whether potential Funding Obligations should be incurred by Financing Entities for the purposes of acquiring and financing Investment Interests;

AND WHEREAS the Issuer is a Financing Entity established by the Financial Services Manager pursuant to the Act and may from time to time finance the acquisition from the IESO of an Investment Interest pursuant to the terms of the Master Transfer and Servicing Agreement;

AND WHEREAS the Indenture Trustee has been appointed pursuant to the Indenture to act on behalf of all Specified Creditors and wishes to acknowledge and accept the rights and obligations granted to it thereby, including, but not limited to, those rights and obligations set forth in Sections 4.1(a)(vii), 4.1(a)(xx), 4.1(a)(xxiii), 4.3(a), 4.7(d), 4.7(e), 5.6, 7.1, 8.2(b) and 8.10 hereof;

AND WHEREAS the Issuer and the Manager are entering into this Agreement in furtherance of, and in accordance with, the Act;

NOW THEREFORE in consideration of the foregoing and the mutual covenants and agreements contained herein (the receipt and adequacy of which are hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

(a) In this Agreement, the following terms have the following meanings:

"**Act**" has the meaning ascribed thereto in the recitals;

["Administrative Agent" means [Ontario Power Generation Inc.], as administrative agent under the Administrative Services Agreement, and its successors and assigns in such capacity;

"Administrative Services Agreement" means the administrative services agreement dated ■, 2017 between the Administrative Agent and the Issuer;][1]

"**Agreement**" means this Agreement, as amended, supplemented, modified, restated or replaced from time to time, and the expressions "herein", "hereof", "hereto", "hereunder" and similar expressions refer to this Agreement and not to any Article, Section, paragraph, subparagraph or clause hereof;

"**Board**" means the Ontario Energy Board, a statutory corporation without share capital continued under the *Ontario Energy Board Act, 1998*, S.O., 1998;

"**Clean Energy Adjustment**" has the meaning ascribed to the term "clean energy adjustment" in the Act;

"**Clean Energy Benefits**" has the meaning ascribed to the term "clean energy benefits" in the Act;

"**Clean Energy Costs**" has the meaning ascribed to the term "clean energy costs" in the Act;

"**Declaration of Trust**" means the declaration of trust made as of ■, 2017 under which the Issuer was established, as may be supplemented, amended, replaced or amended and restated from time to time;

"**Fair Allocation Amount**" has the meaning ascribed to the term "fair allocation amount" in the Act;

[1] **NTD**: Subject to confirmation that this agreement will be required.

"**Finance Amount**" has the meaning ascribed to the term "finance amount" in the Act;

"**Financial Services Manager**" has the meaning ascribed to such term under the Act;

"**Financing Entity**" has the meaning ascribed to the term "financing entity" in the Act;

"**Financing Plan**" has the meaning ascribed to such term under the Act;

"**Funding Obligation**" has the meaning ascribed to the term "funding obligation" in the Act;

"**IESO**" means the Independent Electricity System Operator, a statutory corporation without share capital continued under the *Electricity Act, 1998*, S.O. 1998;

"**Indenture**" means the master trust indenture dated ■, 2017 between the Indenture Trustee and the Issuer, as may be supplemented, amended, replaced or amended and restated from time to time;

"**Investment Interest**" has the meaning ascribed to the term "investment interest" in the Act;

"**Investment Interest Records**" means, collectively, any and all documents and records the Manager shall keep on file, in accordance with its customary procedures, relating to the Issuer Investment Interest, including copies of all documents filed with the Board in connection with any Clean Energy Adjustments and computational records relating thereto;

"**Issuer Compensation**" has the meaning ascribed to such term in Section 5.5;

"**Issuer Funding Obligation**" means a Funding Obligation incurred by the Issuer;

"**Issuer Investment Interest**" means, initially, the Investment Interest acquired by the Issuer pursuant to the first Transfer completed under the Master Transfer and Servicing Agreement and, upon the completion of each Transfer thereafter, the cumulative Investment Interest acquired by the Issuer;

"**Issuer Property**" means, as of any particular time, all assets of the Issuer and all property, real, personal or otherwise, tangible or intangible, which has been transferred, conveyed or paid to, or acquired by the Issuer, including all income, earnings, profits and gains therefrom, and which at such time is owned or held by the Issuer;

["**Management Base Fee**" means, in respect of a calendar month, a base fee equal to (i) the product of (A) the Management Fee Rate and (B) the average of the opening and closing balance of the outstanding principal amount of all Issuer Funding Obligations in the previous calendar month incurred to fund the acquisition of the Issuer Investment Interest; and (ii) divided by 12;

"**Management Fee Rate**" means the rate set out on Schedule A;

"**Management Variable Fee**" means, in respect of each calendar year, a fee equal to the sum of the [Variable Fee] calculated for each tranche of Issuer Funding Obligations issued in the applicable calendar year;] [2]

"**Master Transfer and Servicing Agreement**" means the master transfer and servicing agreement dated ■, 2017 between the Issuer and the IESO and acknowledged and accepted by the Indenture Trustee, as may be supplemented, amended, replaced or amended and restated from time to time;

"**Minister**" means the Minister of Energy or such other member of the Executive Council as may be assigned the administration of the Act under the *Executive Council Act*, S.O. 1990;

"**Offering Materials**" means any document used by the Issuer in connection with offering securities representing Issuer Funding Obligations for sale including, without limitation, any information circular, offering memorandum, annual information form, preliminary prospectus, prospectus, prospectus supplement, term sheet, registration statement or other similar document, or any amendments to such documents;

"**Perpetuity Date**" means the date that is one day prior to the 21st anniversary of the death of the last surviving lineal descendant of Queen Elizabeth, II of England living as of the date of the Declaration of Trust;

"**Program Agreements**" means the Indenture, each Supplemental Indenture, the Declaration of Trust, this Agreement, **[the Administrative Services Agreement,]** the Master Transfer and Servicing Agreement, each Transfer Notice, any Co-Owner Agreements, the **[Provincial Protections and Assurances Agreement]**[3], the Notes, any Derivative Agreements, Credit Enhancement Agreements, Liquidity Agreements, Loan Agreements, Underwriting Agreements, Agency Agreements and Note Purchase Agreements in effect at such time and all other documents and certificates delivered in connection therewith;

"**Reference Period**" has the meaning ascribed to the term "reference period" in the Act;

"**Regulation AB**" means Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1125, and all related rules and regulations of the U.S. Securities and Exchange Commission, as such rules may be amended from time to time, and subject to such clarification and interpretation as have been provided by the U.S. Securities and Exchange Commission or by the staff of the U.S. Securities and Exchange Commission, or as may be provided by the U.S. Securities and Exchange Commission or its staff from time to time;

"**Regulations**" means the regulations promulgated under the Act;

"**Servicer CEA Collections**" has the meaning ascribed thereto in the Master Transfer and Servicing Agreement;

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[2] **NTD:** Fee provisions and related definitions subject to finalization of fee regulations.

[3] **NTD**: To be conformed to final agreement.

"**Specified Consumer**" has the meaning ascribed to the term "specified consumer" in the Act;

"**Standard of Care**" has the meaning ascribed to such term in Section 5.1;

"**Transfer**" has the meaning ascribed to the term "transfer" in the Act; and

"**True Up Amount**" has the meaning ascribed to the term "true up amount" in the Act.

(b) Unless otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the meanings ascribed thereto in the Indenture.

ARTICLE 2
INTRODUCTORY PROVISIONS

2.1 Sections and Headings

The table of contents does not form part of this Agreement. The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

2.2 Extended Meanings

Words importing the singular number only will include the plural and vice versa and words importing the masculine gender will include the feminine and neuter genders and vice versa. Unless otherwise specified, a reference to any agreement, instrument or declaration means such agreement, instrument or declaration as the same may be amended, supplemented, modified, restated or replaced from time to time.

2.3 References to Acts of the Issuer or the Issuer Trustee

For greater certainty, where any reference is made in this Agreement to an act to be performed by the Issuer, such reference will be construed and applied for all purposes as if it referred to an act to be performed by the Issuer Trustee as trustee of the Issuer. Where any reference is made in this Agreement to an act to be performed by the Issuer Trustee, such reference will be construed and applied for all purposes as if it referred to an act to be performed by the Issuer Trustee as trustee of the Issuer.

ARTICLE 3
APPOINTMENT OF THE MANAGER

3.1 Appointment and Authority of the Manager

The Issuer hereby appoints Ontario Power Generation Inc. as the Manager to act as its agent to provide services and perform duties for and on behalf of and for the account of the Issuer, as hereinafter provided, in connection with the activities of the Issuer relating to:

(a) the acquisition, administration and possible transfer of the Issuer Investment Interest on behalf of the Issuer in accordance with the Act;

(b) acting as custodian of the Investment Interest Records;

(c) the entering into and execution and delivery on behalf of the Issuer of any Program Agreements;

(d) the incurrence of Issuer Funding Obligations, and repayment thereof, to fund the acquisition of the Issuer Investment Interest;

(e) the negotiation, execution and delivering or filing on behalf of the Issuer of any Offering Materials;

(f) the implementation and administration of the provisions of the Program Agreements to which the Issuer or the Manager on its behalf is a party;

(g) the acquisition, administration and sale of investments that may from time to time be made by the Issuer; and

(h) all activities as may be reasonably incidental to the foregoing or necessary in connection with the performance by the Issuer of its obligations under the Program Agreements, the Act and the Regulations.

The Manager accepts such appointment and agrees to act in such capacity and to provide or cause to be provided the services and to perform the duties set forth in this Agreement on and subject to the terms and conditions in this Agreement. The Issuer hereby grants to the Manager the power and authority to act in the name of and on behalf of the Issuer, and to execute and deliver all documents, agreements and instruments in the name and on behalf of the Issuer, for the sole purpose of providing the services and performing the duties to be provided and performed by the Manager pursuant to this Agreement. **[Notwithstanding anything to the contrary in this Agreement, the Manager shall not provide or cause to be provided the services or perform any of the duties delegated to the Administrative Agent under the Administrative Services Agreement.]**

ARTICLE 4
DUTIES AND OBLIGATIONS OF THE MANAGER

4.1 Program Agreements

(a) The Manager will administer as agent for and on behalf of and for the account of the Issuer the activities of the Issuer in connection with the Program Agreements and, in this regard, its services and duties will include:

(i) negotiating and executing, on behalf of the Issuer, Program Agreements and any documents related thereto with any Person and any amendments, supplements, replacements or restatements that may be necessary or desirable from time to time;

(ii) arranging for liquidity coverage required pursuant to the Program Agreements, negotiating and settling Liquidity Agreements and administering on behalf of the Issuer the activities of the Issuer in connection with such Liquidity Agreements;

(iii) when necessary or desirable, arranging for the Credit Enhancement of the Issuer Investment Interest, negotiating and settling Credit Enhancement Agreements and administering on behalf of the Issuer the activities of the Issuer in connection with such Credit Enhancement Agreements;

(iv) seeking satisfaction of the Rating Agency Condition from the Rating Agencies in respect of the Program Agreements and proposed amendments thereto if required;

(v) based on reports submitted to it, monitoring the recording, accounting for and enforcement of payment of amounts distributable or payable to the Issuer in connection with any Program Agreement;

(vi) maintaining accounts and banking records of the Issuer with respect to acquisitions or investments in and distributions and payments in connection with the Issuer Property, including Eligible Investments;

(vii) promptly after obtaining knowledge thereof, notifying the Issuer, the Indenture Trustee and the Rating Agencies of a breach in any material respect of any of the Manager's representations, warranties or covenants contained herein;

(viii) to the extent that the Issuer shall from time to time have funds the application of which is not then necessary to the repayment of outstanding indebtedness of the Issuer or to the payment of any costs, fees, expenses or disbursements of the Issuer, applying such funds on behalf of and for the account of the Issuer to the acquisition of Eligible Investments as the Manager may select pending the application of such funds to the repayment of outstanding indebtedness of the Issuer or to the payment of any costs, fees, expenses or disbursements of the Issuer; provided, however, that in making any such Eligible Investments, the Manager shall adhere to the requirements of the Program Agreements in all respects;

(ix) taking all other necessary and appropriate action to enable the Issuer to exercise its rights and perform its obligations in accordance with the provisions of any Program Agreement, including exercising rights of termination under Program Agreements and the enforcement of security or in respect of Eligible Investments;

(x) providing for the defense of any action, suit or proceeding brought against the Issuer or affecting the Issuer or any Issuer Property;

(xi) taking all such steps as may be necessary or appropriate to enable the Issuer to collect on any security relating to the Issuer Investment Interest;

(xii) determining, in accordance with the Financing Plan, when it is appropriate for the Issuer to enter into Derivative Agreements, selecting suitable counterparties thereto and negotiating the terms thereof in accordance with the terms of the Program Agreements;

(xiii) determining, in accordance with the Financing Plan, when it is appropriate for the Issuer to incur Funding Obligations, including the determination of applicable principal (or face amount), amortization/sinking fund schedule(s), interest rates (or rate of discount), interest payment frequency, issuance date and maturities of such Funding Obligations;

(xiv) making determinations under the Declaration of Trust regarding any distributions to beneficiaries of the Issuer;

(xv) promptly providing the Issuer Trustee notice of the Perpetuity Date once determined;

(xvi) administering all activities of the Issuer in connection with the issuance, sale, payment, repurchase and redemption of Issuer Funding Obligations and the execution and performance by the Issuer of its obligations under the Program Agreements, including all reporting obligations, applying for and monitoring the ratings of any Issuer Funding Obligations and coordinating all aspects of obtaining and maintaining ratings from the Rating Agencies;

(xvii) preparing, executing and delivering, in accordance with the requirements of all applicable securities laws, any Offering Materials to be furnished by the Issuer to any dealer or prospective purchaser of Issuer Funding Obligations, in accordance with the Issuer's obligations to prepare such Offering Materials under any Underwriting Agreement or Agency Agreement, and preparing amendments to or revising or updating information for such Offering Materials as required from time to time (it being understood that the Manager, as between it and the Issuer, shall not be responsible for the accuracy of any portion of the Offering Materials prepared from information obtained from any Person other than the Issuer and the Manager);

(xviii) ensuring that all statements of the Issuer made in any Offering Materials or in connection with entering into any Program Agreement are at all times true and correct in all material respects (it being understood that the Manager, as between it and the Issuer, shall not be responsible for the accuracy of any portion of the Offering Materials prepared from information obtained from any Person other than the Issuer and the Manager);

(xix) arranging for compliance by the Issuer with any continuous disclosure obligations it may have under any applicable securities laws;

(xx) preparing and filing all reports, certificates and other documents that are required to be prepared and filed pursuant to the Indenture in order to comply with Regulation AB and delivering all such reports, certificates and other documents to the Issuer, the Indenture Trustee and the Rating Agencies;

(xxi) arranging for the retention of legal counsel as may be necessary to perform for the Issuer the services necessary or appropriate to its organization or the conduct of its operations and all general services customarily provided by legal counsel;

(xxii) arranging for the appointment, discharge and reappointment of an auditor of the Issuer and negotiating and fixing the fees of any such auditor;

(xxiii) arranging for the retention of an accounting firm and ensuring that proper books of account and complete records of all transactions of the Issuer undertaken or performed by it under the Program Agreements are maintained and rendering statements or copies thereof from time to time as requested by the Indenture Trustee and any issuing and paying agent, Liquidity Lender or Credit Enhancer and co-operating in all audits of the Issuer;

(xxiv) preparing, or arranging for the preparation of, all required financial statements of the Issuer;

(xxv) preparing, procuring, delivering and filing, or causing to be prepared, procured, delivered or filed, any reports, attestations, exhibits, certificates or other documents required to be delivered or filed with the applicable securities regulator by the Issuer under the applicable securities or other applicable laws;

(xxvi) providing clerical and bookkeeping services necessary and appropriate for the Issuer relating to all transactions of the Issuer undertaken or performed by the Manager hereunder, and the Issuer's incurrence and repayment of Funding Obligations and other borrowings of money and maintaining and preserving records regarding the foregoing;

(xxvii) paying all taxes or assessments of whatever kind or nature imposed on the Issuer, and withholding and remitting all taxes required to be withheld and remitted by the Issuer under applicable laws, in each case, on behalf of and for the account of the Issuer and in accordance with the requirements of any applicable laws and subject to the payment priorities specified in the Program Agreements;

(xxviii) preparing and filing, in accordance with the requirements of any applicable laws, all returns (including, for greater certainty, all returns, information returns, elections, designations, declarations, schedules, statements or supporting documents in relation thereto) required to be filed with any government authority, or prepared as support for any such filing, in connection with (A) the determination, assessment or collection of any taxes of the Issuer or taxes, or amounts on account of taxes, that the Issuer is required to withhold and remit by applicable laws, or (B) the administration of any laws, regulations or administrative requirements relating to taxes; and

(xxix) providing such other services as are incidental to the foregoing or as the Issuer and the Manager may agree.

(b) The Manager will not offer to enter into any Program Agreement:

(i) after the Manager receives a notice of termination pursuant to Section 7.1; or

(ii) if the entering into of the Program Agreement would violate any other Program Agreements.

4.2 Issuer Investment Interest

The Manager will administer as agent for and on behalf of and for the account of the Issuer the following activities of the Issuer in connection with the acquisition and administration of the Issuer Investment Interest in accordance with the Program Agreements:

(a) enforcing the rights of the Issuer under the Program Agreements;

(b) seeking to protect the Issuer and the Specified Creditors from claims, actions or other proceedings of third parties that, if successfully pursued, would result in a breach of any representation by the IESO set forth in the Master Transfer and Servicing Agreement;

(c) executing and filing such filings, including filings under the PPSA, and causing such filings to be executed and filed, all in such manner and in such places as may be required by law to fully preserve, maintain, protect and perfect the ownership interest of the Issuer and the first priority security interest of the Indenture Trustee in the Issuer Investment Interest, including all filings required under the Act and the PPSA (and equivalent statutes in any applicable jurisdiction) relating to the transfer of the ownership of the rights and interest in the Issuer Investment Interest by the IESO to the Issuer or the pledge of the Issuer Investment Interest to the Indenture Trustee;

(d) maintaining accounts and records as to the Issuer Investment Interest accurately and in accordance with its standard accounting procedures and in sufficient detail

to permit reconciliation between the Servicer CEA Collections and the Clean Energy Adjustment;

(e) instituting any action or proceeding necessary to compel performance by the Board, the IESO, the Province of Ontario, the Indenture Trustee, the Issuer Trustee or any of their respective agents of any of their obligations or duties under the Act or any Program Agreement, as the case may be, and taking such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, in each case as may be reasonably necessary;

(f) seeking to block or overturn any attempts to cause a repeal of, modification of or supplement to the Act or the Regulations or the rights of holders of any Funding Obligations, by legislative enactment that would be materially adverse to the Issuer or the Specified Creditors or that would otherwise cause an impairment of the rights of the Issuer or the Specified Creditors; and

(g) instituting any action or proceeding necessary to appeal or challenge the decision of a court that would be materially adverse to the Issuer or the Specified Creditors or that would otherwise cause an impairment of the rights of the Issuer or the Specified Creditors.

4.3 Investment Interest Records

(a) The Manager will act as custodian of the Investment Interest Records as agent for and on behalf of and for the account of the Issuer, which are hereby constructively delivered to the Indenture Trustee, as pledgee of the Issuer with respect to the Issuer Investment Interest, and, in this regard, the Manager shall:

(i) hold the Investment Interest Records on behalf of the Issuer and the Indenture Trustee and maintain such accurate and complete accounts, records and computer systems pertaining to the Investment Interest Records as shall enable the Issuer and the Indenture Trustee, as applicable, to comply with the Program Agreements;

(ii) promptly report to the Issuer, the Indenture Trustee and the Rating Agencies any failure on its part to hold the Investment Interest Records and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure;

(iii) maintain the Investment Interest Records at its offices at 700 University Avenue, Toronto, Ontario or at such other office as shall be specified to the Issuer and the Indenture Trustee by written notice at least 30 days prior to any change in location;

(iv) make available for inspection, audit and copying to the Issuer and the Indenture Trustee or their respective duly authorized representatives, attorneys or auditors the Investment Interest Records at such times during

normal business hours as the Issuer or the Indenture Trustee shall reasonably request and that do not unreasonably interfere with the Manager's normal operations; and

(v) upon instruction from the Indenture Trustee in accordance with the Indenture or any other Person in accordance with another Program Agreement, release any Investment Interest Records to the Indenture Trustee, the Indenture Trustee's agent or the Indenture Trustee's designee, as the case may be, at such place or places as the Indenture Trustee may designate, as soon as practicable.

(b) Nothing in this Section 4.3 shall affect the obligation of the Manager to observe any applicable law prohibiting disclosure of information regarding Specified Consumers, and the failure of the Manager to provide access to such information as a result of such obligation shall not constitute a breach of this Section 4.3.

(c) Nothing in this Section 4.3 shall be deemed to require an initial review or any periodic review by the Issuer or the Indenture Trustee of the Investment Interest Records. The Manager's duties to hold the Investment Interest Records set forth in this Section 4.3, to the extent the Investment Interest Records have not been previously transferred to a successor Manager pursuant to Section 7.1, shall terminate one year and one day after the earlier of (i) the date on which the Manager is succeeded by a successor Manager in accordance with Section 7.1 and (ii) the day after the termination of the Indenture and payment in full of the Issuer Funding Obligations or any other amounts owed under the Indenture.

4.4 Payment of Other Issuer Fees and Expenses

The Manager in accordance with the Program Agreements may, at its option, pay from its own funds the fees and expenses properly incurred on behalf of the Issuer in the ordinary course of the Issuer's operations. To the extent such fees and expenses are paid by the Manager from its own funds, the Issuer will reimburse the Manager for such payments, subject to the payment priorities specified in the Program Agreements.

4.5 Delegation

In connection with the services to be provided or duties to be performed by it under this Agreement, the Manager may, subject to any limitation on delegation imposed by applicable law, by the Declaration of Trust or by the Issuer, engage or employ any Persons as employees, agents, representatives, independent contractors or otherwise, including, without limitation, banks, underwriters, accountants, investment advisers, tax advisers, insurance advisers, lawyers, appraisers, bankers, brokers, dealers, depositories, custodians, agents for collection or others in one or more capacities and any other advisers which the Manager deems advisable, and may delegate any of the powers and duties of the Manager to any such Persons upon such terms and conditions as it may determine. For greater certainty, the Manager shall remain liable and responsible for any of the powers and duties of the Manager which it delegates to a third party.

4.6 Annual Compliance Certificates

The Manager shall provide to the Issuer Trustee a certificate in the form of Exhibit A within 120 days after the end of each fiscal year of the Issuer confirming compliance with the matters referred to in such certificate. The Issuer shall be entitled to rely on such certificate for the period between the effective dates of two consecutive certificates certifying such compliance unless the Issuer has received written notice to the contrary.

4.7 Acknowledgment of Duties as Financial Services Manager

The parties hereto acknowledge that, for so long as Ontario Power Generation Inc. is the Financial Services Manager appointed under the Act, Ontario Power Generation Inc., in its capacity as the Financial Services Manager, will satisfy its obligations as Financial Services Manager in accordance with the Act and the Regulations, and, for greater certainty, its services and duties in this regard will include:

(a) preparing the Financing Plan and, in accordance therewith, evaluating whether Funding Obligations should be incurred by the Issuer for the purposes of acquiring an Investment Interest or refinancing maturing Issuer Funding Obligations;

(b) determining the Clean Energy Adjustment (inclusive of any True Up Amount) payable by Specified Consumers in respect of each month in a Reference Period;

(c) calculating the True Up Amount;

(d) notifying the Board of the Clean Energy Adjustment (inclusive of any True Up Amount) in respect of a Reference Period or such other period as prescribed by the Regulations and sending a copy of such notice, as required, to the Issuer, the Indenture Trustee and the Rating Agencies concurrently therewith; and

(e) if, for any reason any Clean Energy Adjustment is not implemented and effective in respect of the Reference Period set forth in the notice and commencing on the date required under the Act, notifying the Issuer, the Indenture Trustee and each Rating Agency by the end of the second Business Day after such applicable date.

ARTICLE 5
OTHER PROVISIONS RELATING TO THE DUTIES AND COMPENSATION

5.1 Standard of Care

The Manager will perform its duties hereunder (including, for so long as it is the Financial Services Manager, its duties as Financial Services Manager under the Act and the Regulations) diligently and in conformity with the Issuer's obligations under the Program Agreements and with the Act and the Regulations, as applicable, and honestly, in good faith and in the best interests of the Issuer and, in connection therewith, will exercise the degree of care, diligence and skill that a reasonably prudent Person would exercise in comparable circumstances (the "**Standard of Care**"). In carrying out its obligations hereunder, the Manager may rely upon

the opinion or advice of or information obtained from any counsel, auditor, valuer or certificates from officers of any of the other parties to Program Agreements. Unless otherwise required by applicable law, the Manager will not be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations hereunder. The Manager will not be required to devote its entire time to its duties hereunder. Notwithstanding anything else to the contrary herein contained, nothing herein shall be interpreted or construed as an obligation of or on the part of the Manager, and the Manager shall not be liable or obligated, to pay or make any payment of, on or in respect of any debt, liability or obligation of the Issuer (including any payment of, on or in respect of any Issuer Funding Obligations or under any other Program Agreement), as agent for or on behalf of the Issuer or otherwise, except from the monies or funds of the Issuer which are made available to the Manager pursuant to this Agreement or the other Program Agreements for the purpose of such payment.

5.2 Compliance with Program Agreements; Conformity with Law

The Manager acknowledges that it has received copies of the Program Agreements, the Act and the Regulations in effect on the date hereof and is familiar with and understands the duties of the respective parties thereto or governed thereby, including those duties of the Issuer which are being delegated to the Manager hereunder. Notwithstanding anything herein to the contrary, the Manager shall perform its duties hereunder in a manner consistent with any applicable provisions of the Program Agreements in effect from time to time, and the Manager will not, in performing its obligations hereunder, take any action which it knows or ought reasonably to know would cause it or the Issuer to be in violation of any law, rule or regulation applicable to it. The Manager will use reasonable commercial efforts to comply with the terms applicable to the Issuer when acting on its behalf under all Program Agreements and will use reasonable commercial efforts in accordance with its Standard of Care to take such actions as would reasonably be expected to result in the representations and warranties given by the Issuer in any Program Agreement being true and correct in all material respects when made.

5.3 Liabilities

Except as provided in Section 5.6,

(a) the Manager will not be liable for any liabilities of the Issuer; and

(b) subject to the payment priorities specified in the Program Agreements, the Issuer agrees to indemnify, defend and hold harmless the Manager from and against any and all liabilities which may be imposed on, incurred by or assessed against the Manager as a result of any act or omission of the Issuer or the Manager under this Agreement or under any Program Agreement; provided that this Section 5.3(b) does not apply to the extent that in any circumstances there has been wilful misconduct or gross negligence of the Manager or its respective officers, employees or agents or any failure to comply with the standard of care required under Section 5.1.

To the extent that a liability is attributable solely to a single Series or a number of specific Series of Issuer Funding Obligations, the Manager will first exhaust its recourse against

the assets available for recovery of such liability and designated to such Series of Issuer Funding Obligations. If such assets are insufficient to satisfy the indemnity set out in this Section 5.3, or if the liability is not attributable to a single Series or a number of specific Series of Issuer Funding Obligations, the liability will be satisfied on a pro rata basis as among the assets available for recovery of such liability and designated to all Issuer Funding Obligations.

Each party expressly disclaims any intention to create a partnership, and neither the Issuer nor the Manager will be deemed to be carrying on business in partnership by reason of its execution and delivery of this Agreement or the exercise or performance by it of its respective rights and obligations hereunder.

5.4 Compensation of the Manager

In consideration of and as compensation for all services provided and duties performed by the Manager pursuant to this Agreement, the Issuer will pay to the Manager, subject to the payment priorities specified in the Program Agreements: (i) the Management Base Fee on a monthly basis and (ii) the Management Variable Fee on an annual basis.[4] The Management Base Fee and the Management Variable Fee are exclusive of any applicable sales taxes and the Issuer shall pay to the Manager the amount of any applicable sales taxes in addition to such fees.

5.5 Compensation of the Issuer

In consideration of the Issuer engaging in the activities contemplated by the Act, the Manager will pay to the Issuer, on a monthly basis, the sum of $10 per month for any month or part thereof that the Issuer is engaged in such activities (the "**Issuer Compensation**"). The Issuer Compensation is exclusive of any applicable sales taxes and the Manager shall pay to the Issuer the amount of any applicable sales taxes in addition to the Issuer Compensation.

The Issuer and the Manager agree that in respect of any month that the Issuer has an amount payable to the Manager under Section 5.4 in an amount that is not less than $10 (plus the amount of any applicable sales taxes on the Issuer Compensation), the Manager's obligation to pay the compensation to the Issuer under this Section will be fully satisfied by way of setting-off $10 (plus the amount of any applicable sales taxes on the Issuer Compensation) of the amount payable by the Issuer to the Manager under Section 5.4 against the Manager's amount payable to the Issuer under this Section.

5.6 Indemnification by Manager

The Manager agrees to indemnify, defend and hold harmless the Issuer from and against any and all liabilities which may be imposed on, incurred by or assessed against the Issuer as the result of any wilful misconduct or gross negligence by the Manager, its officers, employees or agents or any failure to comply with the standard of care required under Section 5.1, provided that the Manager will have the exclusive right to compromise or defend, through counsel selected and retained by the Manager, any such liabilities or related claims at its own expense, which

[4] **NTD**: Section 5.4 and the related defined terms are subject to finalization of the fee regulations.

decision will be binding upon the Issuer. It is, however, expressly understood that the Manager is not agreeing to indemnify or hold the Issuer harmless with respect to any of the following:

(a) payments due on Issuer Funding Obligations or other amounts borrowed;

(b) any breach or failure to perform on the part of any other third party under any Program Agreement;

(c) any claim arising out of the assessment of any tax or payments in lieu of tax by a taxing authority against the Issuer;

(d) any amount for which the Issuer agrees to indemnify the Manager hereunder;

(e) any liability of the Issuer accruing after the termination of this Agreement unless attributable to the actions or omissions of the Manager prior to such termination;

(f) any losses of the Issuer arising due to risks inherent in the Issuer Investment Interest; or

(g) any statements or certificates provided by the Issuer to the effect that

(i) any Funding Obligation is consistent with the Financing Plan, or

(ii) the estimated Finance Amount that would have become due and payable in any Reference Period is expected to align with the Fair Allocation Amount determined in respect of such Reference Period.

It is further understood that the Manager is not agreeing to indemnify or hold harmless the Issuer Trustee with respect to any liabilities resulting from the failure of the Issuer Trustee to satisfy the standard of care set out in the Declaration of Trust. Where the Manager has assumed total defense of a claim, it shall agree to ensure that any settlement of such claim does not include any form of admission of liability on the part of the Issuer Trustee (in its personal capacity).

The Manager agrees to indemnify, defend and hold harmless the Indenture Trustee from and against any and all liabilities which may be imposed on, incurred by or asserted against the Indenture Trustee as the result of any wilful misconduct or gross negligence relating to the maintenance and custody by the Manager, as custodian, of the Investment Interest Records; provided that (a) the Manager will have the exclusive right to compromise or defend, through counsel selected and retained by the Manager, any such liabilities or related claims at its own expense, which decision will be binding upon the Indenture Trustee and (b) the Manager shall not be liable for any portion of any liability resulting from the wilful misconduct, bad faith or gross negligence of the Indenture Trustee.

5.7 Contracting with Itself and Affiliates

In the exercise of its rights, duties and obligations, the Manager may, if it is acting in good faith, enter into, as Manager for the Issuer, agreements and other contracts to which the Manager, in its personal capacity, or an Affiliate of the Manager, is a party.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations of the Issuer

The Issuer represents and warrants to the Manager that the execution, delivery and performance by the Issuer of this Agreement are within the powers of the Issuer and have been duly authorized by all necessary action on the part of the Issuer and do not contravene (i) the Program Agreements in effect on the date hereof or (ii) any law or contractual restriction binding on or affecting the Issuer and the Agreement is a legal, valid and binding obligation of the Issuer, enforceable against the Issuer.

6.2 Representations of the Manager

The Manager represents and warrants to the Issuer that (i) the execution, delivery and performance by the Manager of this Agreement are within the powers of the Manager and have been duly authorized by all necessary action on the part of the Manager and do not contravene any law or contractual restriction binding on or affecting the Manager and the Agreement is a legal, valid and binding obligation of the Manager enforceable against the Manager and (ii) it is not a non-resident of Canada for purposes of the *Income Tax Act* (Canada).

ARTICLE 7
TERMINATION AND RESIGNATION

7.1 Termination

The Manager shall not be entitled to resign as manager of the Issuer or to terminate this Agreement for so long as any Funding Obligations remain outstanding. The Manager's rights and obligations under this Agreement (other than under Sections 5.3, 5.4, 5.6 and 8.3) will terminate, if the Manager receives a termination notice from (i) the Issuer Trustee, with the consent of the Indenture Trustee, or (ii) the Indenture Trustee, subject to the terms and conditions of the Indenture, in each case, on the 30th day after receipt of such notice. Notwithstanding the foregoing, no termination shall be effective until a replacement manager that satisfies the Rating Agency Condition has been approved and has entered into a management agreement whereby the replacement manager agrees to assume, in substance, the obligations of the Manager hereunder. Upon the termination of its rights and obligations under this Agreement, the Manager will notify the Rating Agencies and, promptly and upon the request of the Issuer, deliver to the Issuer all records (including Investment Interest Records) in the possession of the Manager relating to the performance of its services hereunder.

ARTICLE 8
MISCELLANEOUS

8.1 Appointment of Manager as Attorney-in-Fact

Subject to any Program Agreement, the Issuer hereby irrevocably appoints the Manager as the Issuer's attorney-in-fact during the term of this Agreement, with full authority in the place and stead of and in the name of the Issuer or otherwise, including full power of substitution, from time to time in the Manager's discretion or as required by this Agreement, to take such actions on behalf of the Issuer as the Manager may deem necessary or advisable to comply with or effect the purposes of this Agreement and any Program Agreement including, without limitation, to execute any documents, instruments or certificates in connection therewith, to ask, demand, collect, sue for, recover, compound, receive and give acquittances and receipts for monies due or becoming due to the Issuer or otherwise owed thereto, to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection therewith, and to file any claims or take any action or institute any proceedings which the Manager may deem necessary or desirable for the collection thereof, or to enforce compliance with the terms and conditions of any Program Agreement.

8.2 Amendments and Waivers

(a) Subject to Section 8.2(b), this Agreement may be amended, supplemented, modified, restated or replaced from time to time by written instrument signed by the Issuer and the Manager. The Manager will forthwith after the execution of any such instrument by the Issuer and the Manager provide the Rating Agencies with a copy of such instrument.

(b) No provision of this Agreement may be amended, supplemented, modified, restated or replaced in any material respect without first obtaining the written consent of the Indenture Trustee in accordance with the Indenture and such amendment, supplement, modification or replacement will only be effective if the Rating Agency Condition has been satisfied.

(c) No waiver of any provision of this Agreement, nor consent to any departure by any party therefrom, shall in any event be effective unless the same shall be in writing and signed by such party and such waiver or consent, if material, will only be effective if the Rating Agency Condition has been satisfied, and then said waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of any party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof.

8.3 Withholding Rights

The parties hereto shall be entitled to deduct and withhold from amounts payable under this Agreement such amounts as each is required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) or any provision of any applicable federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the recipient of the payment in

respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted in accordance with applicable law to the appropriate taxing authority.

8.4 No Petition

The Manager hereby agrees that it will not, prior to the date that is one year and one day after the termination of the Indenture and payment in full of the Issuer Funding Obligations and any other amounts owed under the Indenture, institute or encourage against the Issuer, or join or acquiesce in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency, winding-up or liquidation proceedings, or other proceedings under any federal or provincial bankruptcy, insolvency or similar law in connection with any obligations relating to this Agreement or any of the other Program Agreements. The foregoing shall not limit the rights of the Manager to file any claim in or otherwise take any action with respect to any insolvency proceeding that was instituted against the Issuer by any Person other than the Manager.

8.5 Notice

All demands, notices and communications hereunder will be in writing (unless otherwise expressly provided herein) and will be personally delivered or transmitted electronically to:

(a) in the case of the Issuer:

■
■
■
■

Email: ■
Attention: ■

(b) in the case of the Manager:

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

Email: ■
Attention: ■

or such other address or email address as may hereafter by furnished to each of the parties hereto in writing. Notices transmitted by facsimile will be deemed to have been received when delivered (with receipt confirmed).

8.6 Recourse to Issuer Trustee and the Issuer

Nothing contained herein will be deemed to cause the Issuer Trustee to be personally liable for any obligations of the Issuer hereunder, and the Manager will not seek any personal or deficiency judgment in respect of such obligations against the Issuer Trustee in its personal capacity; provided, however, that the foregoing will not in any way affect any rights that the Manager may have hereunder to (a) proceed against any Person with respect to the enforcement of any guarantee of, or collateral security for, payment of such obligations or (b) recover any funds, damages, expenses or costs as a result of fraud or misrepresentation by the Issuer Trustee in its personal capacity. The obligations hereunder are not binding upon the Issuer Trustee except in its capacity as trustee of the Issuer nor will resort be had to the property of the Issuer Trustee except where liability is expressly imposed on the Issuer Trustee in its personal capacity hereunder, but the Issuer Property will be bound hereby.

8.7 Severability

If one or more provision of this Agreement is for any reason whatever held invalid, such provision will be deemed severable from the remaining covenants, agreements and provisions of this Agreement and will in no way affect the validity or enforceability of such remaining provisions or the rights of any parties hereto.

8.8 Execution of Counterparts; Electronic Delivery

This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and the counterparts together shall constitute one and the same instrument. Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

8.9 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

8.10 Grant of Security Interest to Indenture Trustee

The Manager hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Issuer to the Indenture Trustee for the benefit of the Specified Creditors pursuant to the Indenture of any or all of the Issuer's rights hereunder.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

[FINANCING ENTITY], by its sole trustee ■
as Issuer

By: _____
Name:
Title:

By: _____
Name:
Title:

ONTARIO POWER GENERATION INC.
as Manager

By: _____
Name:
Title:

By: _____
Name:
Title:

ACKNOWLEDGED AND ACCEPTED:

■
as Indenture Trustee

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE A

[NTD: Subject to finalization of the fee regulations.]

EXHIBIT A

ANNUAL COMPLIANCE CERTIFICATE

TO: ■, (the "**Issuer Trustee**") in its capacity as issuer trustee of ■ (the "**Issuer**")

Ontario Power Generation Inc., as manager (the "**Manager**") appointed by the Issuer Trustee under the Management Agreement dated ■, 2017 between the Issuer Trustee and the Manager, and acknowledged and accepted by the Indenture Trustee (as amended, supplement, modified, restated or replaced from time to time, the "**Management Agreement**"), confirms, on behalf of the Issuer, the following:

(a) The books and records of the Issuer maintained by the Manager are current and accurate in all material respects.

(b) All debt obligations and expenses due and payable by the Issuer have been paid to date.

(c) All required filings with tax and regulatory authorities have been completed to date.

(d) All material statements and reports to be delivered by the Issuer under the Program Agreements have been delivered and all material statements and reports to be received by the Issuer under the Program Agreements have been received.

Capitalized terms used but not defined herein have the meanings given to them in the Management Agreement.

Dated this ■ day of ■, ■.

ONTARIO POWER GENERATION INC.
as Manager

By: _____
Name:
Title:

By: _____
Name:
Title:

[TRUST COMPANY]

as Issuer Trustee of

[FAIR HYDRO TRUST]

DECLARATION OF TRUST

Made as of **[■]**, 2017

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THIS DECLARATION OF TRUST is made as of [■], 2017 by ■, a trust company established under the laws of **[Canada]** (the "**Issuer Trustee**").

WHEREAS the Government of Ontario has enacted the *Ontario Fair Hydro Act, 2017* (the "**Act**") for the purpose of, among other things, ensuring that clean energy costs and clean energy benefits (each as defined in the Act) are fairly allocated among present and future Specified Consumers (as defined below);

AND WHEREAS the Issuer Trustee has determined, at the request of OPG, to establish a Trust (as defined below) for the purpose of carrying on the activities of a financing entity (as defined in the Act) as hereinafter described for the benefit of the Unitholders (as defined below);

NOW THEREFORE the Issuer Trustee hereby declares that it holds in trust as trustee the sum of TEN DOLLARS ($10.00) now contributed by it and all property of every nature and kind which it may acquire in its capacity as trustee of the Trust, and all income therefrom, for the benefit of the Unitholders, in accordance with and subject to the provisions of this Declaration of Trust.

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Declaration of Trust, the following terms have the following meanings:

"**Act**" has the meaning ascribed thereto in the Recitals.

"**Administrative Agent**" means **[OPG]**, as Administrative Agent under the Administrative Services Agreement, or any successor Administrative Agent to the extent permitted under the Administrative Services Agreement.

"**Administrative Services Agreement**" means the administrative services agreement dated the date hereof between the Trust and the Administrative Agent pursuant to which the Administrative Agent will arrange for the provisions of certain services to the Trust.

"**Affiliate**" means, with respect to any specified Person, any other Person controlling, controlled by or under common control with such specified Person and, for the purposes of this definition, "**control**" means, in respect of any specified Person, the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are, or the office of the Indenture Trustee is, authorized or obligated by law, regulation or executive order to be closed.

"**Claim**" has the meaning ascribed thereto in Section 7.3.

"**Dealer**" means one or more Persons (other than the Issuer Trustee or the Manager) who have entered into an agreement with the Trust for the purpose of facilitating the sale and distribution of Funding Obligations.

"**Declaration of Trust**" means this declaration of trust.

"**Designated Beneficiary**" has the meaning ascribed thereto in section 3.6.

"**Eligible Investments**" means investments permitted to be made by the Trust under the Indenture.

"**Funding Obligation**" means a payment obligation incurred by or on behalf of the Trust to fund its ownership of an Investment Interest or a payment obligation that meets such other criteria as may be prescribed by the Regulations.

"**GAAP**" or "**generally accepted accounting principles**" means generally accepted accounting principles in Canada.

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"**Hedging Agreement**" means any agreement evidencing an interest rate swap transaction, forward rate transaction, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction or any other similar transaction or any combination of these transactions, in each case, entered into by the Trust in connection with or related to, and at the time of or prior to, the issuance of Funding Obligations or acquisition of Investment Interests by the Trust in accordance with and subject to the terms of the Program Agreements.

"**IESO**" means the Independent Electricity System Operator.

"**Income of the Trust**" for any taxation year of the Trust means the net income for the year determined pursuant to the provisions of the ITA having regard to the provisions thereof which relate to the calculation of income for the purposes of determining the "taxable income" of a trust, without reference to paragraph 82(1)(b) and subsection 104(6) thereof, less any non-capital losses of the Trust carried forward from prior taxation years that are deductible in the taxation year, and taking into account such other adjustments as may be determined in the discretion of the Issuer Trustee; provided, however, that capital gains and capital losses will be excluded from the computation of net income.

"**Indenture**" means the master trust indenture to be entered into between the Trust and the Indenture Trustee.

"**Indenture Trustee**" means ■, a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and

territories of Canada, as indenture trustee for the benefit of Specified Creditors under the Indenture.

"**Investment Interest**" has the meaning ascribed to the term "investment interest" in the Act.

"**Issuer Trustee**" means ■ and any successor thereto appointed pursuant to Article 6.

"**ITA**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder.

"**Management Agreement**" means the management agreement dated the date hereof between the Manager and the Trust.

"**Manager**" means OPG, in its capacity as manager appointed under the Management Agreement to administer the Investment Interests and perform such other duties assigned to it thereunder.

"**Master Transfer and Servicing Agreement**" means the master transfer and servicing agreement to be entered into by and between the Trust and the IESO, and acknowledged and accepted by the Indenture Trustee.

"**net realized capital gains of the Trust**" for any taxation year means the amount, if any, by which the aggregate amount of the realized capital gains of the Trust for the year, calculated in accordance with the provisions of the ITA, exceeds the aggregate of: (i) the aggregate amount of any realized capital losses of the Trust for the year, calculated in accordance with the provisions of the ITA; and (ii) the amount determined by the Issuer Trustee in respect of any net capital losses of the Trust carried forward from prior taxation years that are deductible in the taxation year; provided that in the discretion of the Issuer Trustee, the net realized capital gains of the Trust for a taxation year may be calculated without subtracting the full amount of the net capital losses of the Trust carried forward from prior years.

"**OPG**" means Ontario Power Generation Inc.

"**Person**" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Government Authority.

"**Program Agreements**" means the Indenture, each Supplemental Indenture, this Declaration of Trust, the Management Agreement, the Administrative Services Agreement, the Master Transfer and Servicing Agreement, each Transfer Notice, the **[Provincial Protections and Assurances Agreement]** and any hedging agreements, credit enhancement agreements, loan agreements, subordinated loan agreements, security agreements and Underwriting Agreements in effect at such time and all other documents and certificates delivered in connection therewith.

"**[Provincial Protections and Assurances Agreement]**" means the **[Provincial Protections and Assurances Agreement]** to be entered into between Her Majesty the

Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance, the Indenture Trustee and the Trust.

"**Rating Agencies**" means, at any time, the credit rating agencies which at the request of the Trust are rating the Funding Obligations at such time.

"**Rating Agency Condition**" has the meaning ascribed thereto in the Indenture.

"**Records**" means all contracts, books, records and other documents and information, including, without limitation, data and information, including any stored on computer-related or other electronic media, computer programs, data processing software and related property and rights, maintained with respect to, but solely to, the assets of the Trust.

"**Regulations**" means the regulations promulgated under the Act.

"**Specified Consumer**" has the meaning ascribed to the term "specified consumer" in the Act.

"**Specified Creditors**" has the meaning ascribed thereto in the Indenture.

"**Supplemental Indenture**" means any supplemental indenture to the Indenture.

"**Transfer**" has the meaning ascribed to the term "transfer" in the Act.

"**Transfer Notice**" means a Transfer Notice in respect of a Transfer substantially in the form of Exhibit A to the Master Transfer and Servicing Agreement and delivered pursuant to such Program Agreement.

"**Trust**" means **[Fair Hydro Trust]**, a trust established under the laws of the Province of Ontario pursuant to this Declaration of Trust.

"**Trust Activities**" means the activities of the Trust described in Section 2.1.

"**Trust Company**" means a federally or provincially established trust company licensed to carry on business in all provinces and territories of Canada and which is resident in Canada for purposes of the ITA.

"**Trust Property**" means, as of any particular time, all assets of the Trust and all property, real, personal or otherwise, tangible or intangible, which have been transferred, conveyed or paid to, or acquired by the Trust, including all income, earnings, profits and gains therefrom, and which at such time are owned or held by the Trust.

"**Underwriting Agreement**" means any underwriting, agency or other agreement providing for the sale and distribution of Funding Obligations by one or more Dealers.

"**Unitholders**" means at any time, the holders at such time of one or more Units, and "**Unitholder**" means any such holder.[1]

"**Units**" means the units of beneficial interest of the Trust authorized and issued hereunder as such and for the time being outstanding and entitled to the benefits hereof.

1.2 Interpretation

In this Declaration of Trust, unless otherwise expressly stated or the context otherwise requires:

(a) references to "herein", "hereby", "hereunder", "hereof" and similar expressions are references to this Declaration of Trust and not to any particular Article or Section of this Declaration of Trust;

(b) references to an "Article" or "Section" are references to an Article or Section of this Declaration of Trust;

(c) words importing the singular shall include the plural and vice versa, and words importing gender shall include the masculine, feminine and neuter genders;

(d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;

(e) the words "includes" and "including", when following any general term or statement, are not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement;

(f) references to any Person include such Person's successors and permitted assigns;

(g) any reference to a statute, regulation, policy, rule or instrument shall include, and shall be deemed to be a reference also to, all amendments made to such statute, regulation, policy, rule or instrument and to any statute, regulation, policy, rule or instrument that may be passed which has the effect of supplementing or superseding the statute, regulation, policy, rule or instrument so referred to;

(h) any reference to this Declaration of Trust or any other agreement, document or instrument shall be construed as a reference to this Declaration of Trust or, as the case may be, such other agreement, document or instrument as the same may have been, or may from time to time be, amended, varied, replaced, amended and restated or supplemented;

[1] Note: It is proposed that a single unit of the Trust will be issued to the Indenture Trustee (in addition to units to OPG or a subsidiary of OPG) in order to ensure that OPG or a subsidiary of OPG does not have the capability to cause the Trust to be wound-up.

(i) in the event that any day on which any amount is to be determined or any action is required to be taken hereunder is not a Business Day, then such amount shall be determined or such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day; and

(j) unless otherwise specified, all references to "$" or "dollars" are to lawful currency of Canada.

1.3 Accounting Principles

Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Declaration of Trust, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as the Issuer Trustee otherwise determines, be made in accordance with GAAP applied on a consistent basis.

1.4 References to Acts of the Trust

For greater certainty, where any reference is made in this Declaration of Trust to an act to be performed or not by, an appointment to be made by, an obligation or liability of, an asset or right of, a discharge or release to be provided by, a suit or proceeding to be taken by or against, or a covenant, representation or warranty by or with respect to either (i) the Trust; or (ii) the Issuer Trustee, such reference will be construed and applied for all purposes as if it referred to an act to be performed by or not, an appointment to be made by, an obligation or liability of, an asset or right of, a discharge or release to be provided by, a suit or proceeding to be taken by or against, or a covenant, representation or warranty by or with respect to, the Issuer Trustee in its capacity as trustee of the Trust, and not in any other capacity.

ARTICLE 2
THE TRUST

2.1 Purpose and Activities of the Trust

The purpose of the Trust is to establish and carry on activities for the exclusive benefit of the Unitholders and to distribute the Trust Property upon termination of those activities by the Trust in accordance with Article 11. The Trust is permitted to engage in any activity, undertaking, transaction or event authorized or permitted by the Act (the "**Trust Activities**"), including:

(a) issuing Units;

(b) redeeming Units;

(c) acquiring, owning, holding, administering or entering into agreements regarding the acquisition and servicing of Investment Interests, along with certain other related assets;

(d) managing, selling, assigning, pledging and collecting amounts due on or otherwise deal with Investment Interests and the other related assets to be so acquired in accordance with the terms of the Program Agreements;

(e) negotiating, authorizing, executing, delivering, assuming the obligations under, and performing its duties under, the Program Agreements and any other agreement or instrument or document relating to the activities set forth in clauses (c) and (d) above; provided, that the Trust shall be permitted to incur additional indebtedness or other liabilities payable to service providers and trade creditors in the ordinary course of business in connection with the foregoing activities;

(f) filing with any applicable securities commission one or more prospectuses, offering memoranda or registration statements, and filing such applications, reports, irrevocable consents, appointments of attorney for service of process and other papers and documents necessary or desirable to register one or more series of Funding Obligations under the securities laws of any applicable jurisdiction;

(g) authorizing, executing, delivering, issuing and registering one or more series of Funding Obligations;

(h) making payments on the Funding Obligations;

(i) pledging its interest in Investment Interests and related assets to the Indenture Trustee in order to secure the Funding Obligations; and

(j) engaging in any lawful act or activity and exercise any powers permitted to trusts formed under the laws of the Province of Ontario that, in each case, are incidental to, or necessary, suitable or convenient for the accomplishment of the above-mentioned purposes.

The Trust shall engage only in any activities related to the foregoing purposes or required or authorized by the terms of the Program Agreements or other agreements referenced above.

2.2 Limitation on Certain Activities

Notwithstanding any other provision of this Declaration of Trust, the Administrative Services Agreement or the Management Agreement, at any time that any Funding Obligations remain outstanding, the consent of the Indenture Trustee shall be required for the Trust to:

(a) take any action to wind-up or dissolve the Trust; or

(b) institute any voluntary proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of any bankruptcy or insolvency proceedings against it, or file a petition seeking or consent to any assignment, petition, application or proceeding under any applicable bankruptcy or insolvency law, or consent to the appointment of a receiver, liquidator, assignee, trustee or other similar official of the Trust or a substantial part of its property, or make any assignment for the benefit

of creditors, or admit in writing its inability to pay its debts generally as they become due, or take any similar action in respect of the Trust.

2.3 Name and Head Office

The English form of the name of the Trust is **["■"]** and the French form of the name of the Trust is **["■"]**. The Trust may use and may be legally designated by either the English form or the French form of its name. Should the Issuer Trustee determine that the use of such name is not practicable, legal or convenient, it may use such other designation or adopt such other name for the Trust as it deems proper and the Trust may hold property and conduct the Trust Activities under such other designation or name. The head office, chief executive office, chief place of business and situs of administration of the Trust will initially be situated at the offices of the Issuer Trustee situated at **[*address of Issuer Trustee*]**.

2.4 Nature of the Trust

The Trust is an unincorporated open-ended unit trust established for the purposes specified in Section 2.1. The Trust shall be governed by the general law of trusts, except as such general law of trusts has been or is from time to time modified, altered or abridged for the Trust by:

(a) applicable laws and regulations or other requirements imposed by applicable securities or other regulatory authorities, including the Act and Regulations; and

(b) the terms, conditions and trusts set forth in this Declaration of Trust.

The beneficial interest and rights generally of the Unitholders in the Trust shall be limited to the right to participate in distributions when and as declared by the Issuer Trustee and distributions upon the termination of the Trust. The Trust is not and is not intended to be, shall not be deemed to be and shall not be treated as a general partnership, limited partnership, syndicate, association, joint venture, company, corporation or joint stock company nor shall the Issuer Trustee or the Unitholders or any of them for any purpose be, or be deemed to be treated in any way whatsoever to be, liable or responsible hereunder as partners or joint venturers. The Issuer Trustee shall not be, or be deemed to be, an agent of the Unitholders. The relationship of the Unitholders to the Issuer Trustee, to the Trust and to the Trust Property shall be solely that of beneficiaries in accordance with this Declaration of Trust.

2.5 Rights of Unitholders

No Unitholder shall be entitled to call for any partition or division of the Trust Property or for a distribution of any particular asset forming part of the Trust Property or of any particular monies or funds received by the Issuer Trustee. The legal ownership of the Trust Property and the right to conduct the activities of the Trust are vested exclusively in the Issuer Trustee, and no Unitholder has or is deemed to have any right of ownership in any of the Trust Property, except as specifically provided herein. Except as specifically provided herein, no Unitholder or Unitholders shall be entitled to interfere with or give any direction to the Issuer Trustee with respect to the affairs of the Trust or in connection with the exercise of any powers or authorities conferred upon the Issuer Trustee under this Declaration of Trust. The Units shall be personal property and shall

confer upon the holders thereof only the interest and rights, and impose upon the holders thereof only those liabilities and obligations, specifically set forth in this Declaration of Trust.

ARTICLE 3
UNITS

3.1 Nature of Units

The beneficial interests in the Trust shall be divided into a single class of Units. Each Unit represents an equal undivided beneficial interest in any distributions by the Trust, whether of Income of the Trust (other than Income of the Trust allocated and distributed to redeeming Unitholders), net realized capital gains of the Trust (other than net realized capital gains of the Trust allocated and distributed to redeeming Unitholders), or other amounts, and, in the event of termination or winding up of the Trust, in the net assets of the Trust remaining after satisfaction of all liabilities. All Units rank equally among themselves and rateably without discrimination, preference or priority. Each Unit will entitle the Unitholder of record thereof to one vote at all meetings of the Unitholders or in respect of any written resolution of the Unitholders. Each Unit, when issued, shall vest indefeasibly in the holder thereof.

The number of Units which the Trust may issue is unlimited. The issued and outstanding Units may be subdivided or consolidated from time to time by the Issuer Trustee without notice to or approval of the Unitholders. Unless the Issuer Trustee determines otherwise, immediately after any *pro rata* issuance of additional Units to all Unitholders pursuant to subsection 11.3(3), the number of outstanding Units will automatically be consolidated such that each such holder will hold after the consolidation the same number of Units as such holder held before the issuance of additional Units.

3.2 Consideration of Units

A Unit will not be fully paid until the consideration therefor has been received in full by or on behalf of the Trust. The consideration for any Unit will be paid in money or in property (including, without limitation, a debt instrument issued to the Trust) or in past services received by the Trust that are not less in value than the fair equivalent of the money that the Trust would have received if the Unit had been issued for money. In determining whether property or past services are the fair equivalent of consideration paid in money, the Issuer Trustee may take into account reasonable charges and expenses of organization and reorganization and payments for property and past services reasonably expected to benefit the Trust. In no case will a Unit be issued to a Designated Beneficiary.

3.3 No Pre-Emptive Rights

No Person shall be entitled, as a matter of right, to subscribe for or purchase any Units of the Trust. There are no pre-emptive rights attaching to the Units.

3.4 Fractional Units

If as a result of any act of the Issuer Trustee hereunder, any Person becomes entitled to a fraction of a Unit, such Person will not be entitled to receive a certificate therefor. Fractional Units

will not, except to the extent that they may represent in the aggregate one or more whole Units, entitle the holders thereof to notice of or to attend or to vote at meetings of the Unitholders. Subject to the foregoing, such fractional Units will have attached thereto the rights, restrictions, conditions and limitations attaching to whole Units in the proportion that they bear to a whole Unit.

3.5 Allotment and Issue

Subject to Section 3.6, the Issuer Trustee may allot and issue Units at such time or times and in such manner (including pursuant to any plan from time to time in effect relating to reinvestment by the Unitholders of distributions of the Trust in Units) and to such Person, Persons or class of Persons as the Issuer Trustee in its sole discretion will determine. The price or the value of the consideration for which Units may be issued and the terms and conditions of issuance of the Units will be determined by the Issuer Trustee in its sole discretion. Not restricting the generality of the foregoing, the Issuer Trustee may accept amounts received from a Unitholder as a prepayment in respect of the obligation of the Unitholder to pay all or any part of the subscription price of Units to be issued at a later date by the Issuer Trustee. In such circumstances, such prepayment will form part of the Trust Property. In the event that Units are issued in whole or in part for a consideration other than money, the resolution of the Issuer Trustee allotting and issuing such Units will express the fair equivalent in money of the other consideration received.

3.6 Prohibited Issuances and Transfers

(1) Notwithstanding any other provision in this Declaration of Trust, at no time, may Units be issued or transferred to a Person who would be a "designated beneficiary" within the meaning of Part XII.2 of the ITA ("**Designated Beneficiary**"), and the Issuer Trustee will not accept a subscription for Units from, or issue or register a transfer of Units to, a Person unless the Person provides a declaration to the Issuer Trustee that it would not be a Designated Beneficiary and covenants to maintain such representation true for as long as it continues to hold one or more Units. If, notwithstanding the foregoing, the Issuer Trustee determines that a Person has purported to become or remain a Unitholder in breach of the above mentioned declaration or covenant, or if the Unitholder fails to provide, upon request, a declaration in form and content satisfactory to the Issuer Trustee that it is not a Designated Beneficiary, (i) the Issuer Trustee will require such Person to dispose of the Units within a specified period not to exceed 60 days to a Person who does not contravene the above mentioned limitation on ownership ("**New Holder**"), and (ii) effective immediately prior to the breach, such Person will be deemed to have ceased to be a holder of such Units, the voting and distribution rights attached to such Units will be suspended and such Units will be deemed not to be outstanding until acquired by a New Holder (provided that holders of other Units will not be entitled to any portion of the distributions that may have been paid in respect of Units that have been so deemed not to be outstanding) and such Person's rights in respect of such Units will be limited to receiving the net proceeds of the sale thereof. If such Person has not, within such period, sold such Units or provided the Issuer Trustee with a declaration in form and content satisfactory to the Issuer Trustee that it is not a Designated Beneficiary, the Issuer Trustee may sell such Units on behalf of such Person (and the Issuer Trustee will have the power of attorney of such Person to do so), and such Person's rights in respect of such Units will be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Units.

(2) Subject to this section 3.6, and until the Issuer Trustee will have been required to do so under the terms hereof, the Issuer Trustee will not be bound to do or take any proceeding or action with respect to this section 3.6 by virtue of the powers conferred on it hereby. The Issuer Trustee will have the sole right and authority to make any determination required for the administration of the provisions of, or contemplated under this section 3.6, and without limiting the generality of the foregoing, if the Issuer Trustee considers that there are reasonable grounds for believing that a contravention of the above mentioned limitation on ownership has occurred or may occur, the Issuer Trustee will make a determination with respect to the matter. Any such determination will be conclusive, final and binding for the purposes of this section 3.6 except to the extent modified by any subsequent determination by the Issuer Trustee. The Issuer Trustee may require declarations as to whether a Unitholder is a Designated Beneficiary or as to factual information that will enable the Issuer Trustee to determine whether a Unitholder or a prospective transferee of a Unit may be a Designated Beneficiary. In any situation where it is unclear whether Units may be held by a Person who may be a Designated Beneficiary, the Issuer Trustee may exercise its discretion in determining whether such Person is or is not a Designated Beneficiary, and any such exercise by it of its discretion will be binding for the purposes of this section 3.6.

3.7 Liability of Unitholders

No Unitholder of the Trust, in its capacity as such, will incur or be subject to any liability, direct or indirect, absolute or contingent, in contract or in tort or of any other kind, to any Person in connection with: (i) the Trust Property or the ownership, use, operation, acquisition or disposition thereof or exercise or enjoyment of the rights, privileges, conditions or benefits attached thereto, associated therewith or derived therefrom; (ii) the obligations, liabilities, activities or affairs of the Trust; (iii) any actual or alleged act or omission of the Issuer Trustee or any other Person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to this Declaration of Trust); (iv) any actual or alleged act or omission of the Issuer Trustee or any other Person in the performance or exercise, or purported or attempted performance or exercise, of any obligation, power, discretion or authority conferred upon the Issuer Trustee or such other Person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to this Declaration of Trust); (v) any transaction entered into by the Issuer Trustee or by any other Person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to this Declaration of Trust); or (vi) any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by the Trust or by the Issuer Trustee or by any other Person (except the Unitholders to the extent required by applicable tax laws) on behalf of or in connection with the activities or affairs of the Trust. No Unitholder will be liable to indemnify the Issuer Trustee or any other Person with respect to any such liability or liabilities incurred by the Issuer Trustee or by any such other Person or Persons or with respect to any taxes payable by the Trust or by the Issuer Trustee or any other Person on behalf of or in connection with the Trust. To the extent that any such liabilities of the Unitholders may arise, they will be enforceable only against, and will be satisfied only out of, the Trust Property to the full extent of such liability and the costs of any litigation or other proceedings in which such liability will have been determined, including without limitation, the fees and disbursements of counsel.

ARTICLE 4
REDEMPTION OF UNITS

4.1 Redemption of Units

Each Unitholder will be entitled to require the Trust to redeem at any time and from time to time at the demand of such Unitholder all or any part of the Units held by such Unitholder as follows:

(1) The Unitholder will give notice in writing to the Trust at its head office of its intention to redeem Units and the number of Units to be redeemed.

(2) Upon receipt by the Trust of such notice from the Unitholder to redeem Units, the Unitholder will be entitled to receive, subject to subsection 4.1(3), an amount equal to the fair market value (the "**Redemption Price**") of such Units established by the Issuer Trustee, acting reasonably (which, for greater certainty, will not necessarily be net asset value), payable by certified cheque or via wire transfer of funds.

(3) In the event that the Trust has insufficient funds to make the payment required pursuant to subsection 4.1(2) or such payment is restricted under the terms of the Indenture, the Trust will, subject to compliance with any regulatory requirements, distribute to the redeeming Unitholder *in specie* a proportionate amount of the Trust Property, the fair market value of which, as determined by the Issuer Trustee, acting reasonably, is equal to the Redemption Price.

(4) Upon satisfaction of the Redemption Price, the redeeming Unitholder will not be entitled to any rights or benefits, including voting and the right to receive distributions, in connection with the Units redeemed.

(5) On redemption of a Unit, the Issuer Trustee may designate and pay to the redeeming Unitholder as part of, and not in addition to, the Redemption Price, such part of the net realized capital gains of the Trust and/or Income of the Trust as is realized by the Trust in order to fund the Redemption Price.

ARTICLE 5
RIGHTS AND POWERS OF ISSUER TRUSTEE

5.1 General Rights and Powers

Subject to the specific restrictions and limitations set forth in this Declaration of Trust and notwithstanding the provisions of the *Trustee Act* (Ontario) or any other similar legislation in any jurisdiction, the Issuer Trustee will have, without the necessity of authorization by, and free from any power or control on the part of, the Unitholders, full, exclusive and absolute power, control and authority over the Trust Property and the Trust Activities to the same extent as if the Issuer Trustee were the sole and absolute owner thereof in its own right including, without limitation, such power, control and authority to do all such acts and things as in its sole judgment and discretion are necessary, incidental or desirable for carrying on the Trust Activities in accordance with the Program Agreements with such powers of delegation as may be permitted by this

Declaration of Trust, including the right, power and authority to amend this Declaration of Trust subject to and in accordance with the terms hereof and to appoint, employ or contract with any Person as the Issuer Trustee may deem necessary, appropriate or desirable for the transaction of the Trust Activities, including for the administration of the Trust. For greater certainty, the powers of the Issuer Trustee that may be exercised as aforesaid include the powers set forth in Section 5.2 to and including Section 5.18. The enumeration of any specific power or authority in this Declaration of Trust will not be construed as limiting the aforesaid power or authority or any other specific power or authority. Subject only to the express limitations contained in this Declaration of Trust, every discretion or power hereby conferred on the Issuer Trustee is an absolute and uncontrolled discretion or power.

5.2 Acquisition of Assets and Deposit of Funds

Subject to Section 2.1, the Issuer Trustee will have the power to acquire Investment Interests in accordance with the Program Agreements. Subject to compliance with the terms of the Program Agreements, the Issuer Trustee will have the power to deposit any money forming part of the Trust Property with any bank (which bank may be an Affiliate of the Issuer Trustee) licensed under the laws of Canada or any trust company (which includes the Issuer Trustee) licensed under the laws of any province of Canada and to withdraw such deposits in accordance with the Program Agreements. The Issuer Trustee will have no liability for any loss which may occur by reason of the failure of any depository with whom such money has been deposited or for the depreciation of any investment.

5.3 Legal Title and Custody

The Issuer Trustee will have the power to cause any and all Trust Property to be held by and/or registered in the name of any Person.

5.4 Disposition of Trust Property

In accordance with and subject to the terms of the Program Agreements, the Issuer Trustee will have the power to sell, convey, transfer and assign all Trust Property free and clear of any and all trusts hereby established, at public or private sale, for cash or on terms, with or without advertisement and subject to such restrictions, stipulations, agreements and reservations as it may deem proper.

5.5 Management of Trust Property

In accordance with and subject to the terms of the Program Agreements, the Issuer Trustee will have the power to own, manage, use, invest and hold the Trust Property (including, without limitation, the power to make investments in Eligible Investments) and to enter into agreements in respect of the Trust Property or its use including, without limitation, agreements to modify, amend, extend, renew or terminate any grant or agreement relating to the Trust Property and to waive compliance with any of the terms and conditions thereof, all, in each case, without the approval of or notice to the Unitholders.

5.6 Power to Borrow Money and Issue Funding Obligations

In accordance with and subject to the terms of the Program Agreements, the Issuer Trustee will have the power to:

(a) borrow or in any other manner raise money and to evidence the same by the issuance of Funding Obligations, by private placement, public offering or otherwise;

(b) reacquire or redeem Funding Obligations;

(c) execute and deliver any trust indenture or supplement thereto, security agreement, mortgage, pledge, hypothec, assignment or other instrument to secure Funding Obligations, and amendments, modifications, restatements or replacements thereof, whether by fixed or floating charge or by assignment or by the granting of a security interest, free and clear of any and all trusts hereby established and, in lieu of or in addition to granting any security, to grant to any Person a negative pledge whereby the Issuer Trustee agrees not to encumber any Trust Property and such other covenants as may be consistent with those set out in the Program Agreements or as may otherwise be specified by any applicable Rating Agency in accordance with the foregoing; and

(d) execute and/or deliver any agreement, instrument, certificate, direction or other document necessary or desirable in order to permit or give effect to the provisions of this Section 5.6, including, without limitation, prospectuses, offering memoranda, regulatory filings, dealer agreements, Underwriting Agreements, subscription agreements, letters of representation, consent letters, and any instruments ancillary thereto.

5.7 Hedging Agreements

In accordance with and subject to the terms of the Program Agreements, the Issuer Trustee will have the power to enter into Hedging Agreements in connection with or related to the borrowing or other raising of money by the Issuer Trustee or the purchase or ownership of Investment Interests, provided that such Hedging Agreements may be entered into only at or prior to the time that such securities are sold, or such borrowing, other raising of money or purchase takes place, as applicable, or as otherwise expressly permitted in the Management Agreement; provided, however, that amendments, modifications or novations of or to a Hedging Agreement may be entered into at any time after the original Hedging Agreement was executed.

5.8 Execution of Instruments

Every deed, transfer, assignment, hypothec, agreement, certificate, direction, instrument, prospectus, or any other document which is necessary or desirable to be executed by the Trust, including, without limitation, any document evidencing Funding Obligations or relating to the issuance of Funding Obligations, will be signed on behalf of the Trust by the Issuer Trustee or its duly appointed agent, including the Administrative Agent or the Manager.

5.9 Facsimile Signatures

The Issuer Trustee may authorize the use of facsimile signatures on the documents evidencing Funding Obligations, provided, however, that where facsimile signatures are so used, documents evidencing Funding Obligations will be manually countersigned or certified by a transfer agent, trustee, registrar or similar Person. If a Funding Obligation contains a printed or mechanically reproduced signature of a Person, the Issuer Trustee may issue the Funding Obligation notwithstanding that the Person has ceased to be a director, officer or signing officer of the Issuer Trustee, and the Funding Obligation will be as valid as if the Person were a director, an officer or a signing officer at the date of its issue.

5.10 Taxes

The Issuer Trustee will have the power to pay all taxes or assessments of whatever kind or nature imposed upon the Issuer Trustee and/or the Trust in connection with the Trust Property or the Trust Activities or upon or against the income from the Trust Activities or any part thereof, to settle and compromise disputed tax liabilities and, for the foregoing purposes, to make such returns and do all such other acts and things as may be deemed by the Issuer Trustee necessary or desirable. The Issuer Trustee will have the power to deduct and remit any taxes which are required by law to be deducted and remitted from any payment made by the Issuer Trustee under any Program Agreements or otherwise.

5.11 Collection

In accordance with and subject to the terms of the Program Agreements, the Issuer Trustee will have the power to:

(a) collect, receive, give receipts for and sue for all sums of money or other property due to the Trust;

(b) consent to extensions of time for payment of, or the renewal of, any securities or obligations of the Trust;

(c) engage or intervene in, prosecute, defend, compound, compromise, abandon or adjust by arbitration or otherwise deal with or settle any actions, suits, proceedings, disputes, claims, demands or things relating to the Trust Property or the Trust Activities;

(d) exercise any and all remedies available to it under any Program Agreements or otherwise, including any power of foreclosure or sale available to the Issuer Trustee at law or pursuant to any agreement and, in connection with any such foreclosure or sale, to purchase or otherwise acquire title to any property and to convey good title thereto free of any and all trusts hereby established, or to take or retake possession of any property secured or unsecured thereunder or such other security;

(e) extend the time, with or without security, for the payment or delivery of any debts or property and to execute and enter into releases, agreements and other instruments; and

(f) pay or satisfy any debts or claims upon any evidence that the Issuer Trustee determines to be sufficient.

5.12 Expenses and Compensation of Issuer Trustee

(a) The Issuer Trustee will have the power to incur and make payment of any charges or expenses which in the opinion of the Issuer Trustee are necessary or incidental to or proper for carrying out any of the purposes of this Declaration of Trust and the Trust Activities, and to pay appropriate compensation or fees from the Trust Property to Persons with whom the Trust has contracted or transacted business including, without limitation, any charges, expenses, compensation or fees payable under or in connection with the Program Agreements.

(b) The Issuer Trustee will be entitled to be paid from the funds of the Trust, without any requirement of a passing of accounts in respect thereof or approval of the Unitholders, such fees as the Issuer Trustee and the Manager may agree to from time to time for its services hereunder and all reasonable expenses, disbursements and advances incurred or made by the Issuer Trustee in the administration or execution of the trusts hereby created (including the reasonable compensation and the disbursements of its counsel and all other advisers and assistants not regularly in its employ) until all the duties of the Issuer Trustee under the trusts hereby created shall be finally and fully performed, except any such expense, disbursement or advance as may arise from or in connection with the dishonesty, bad faith, wilful misconduct, negligence or reckless disregard of any duty or the failure to comply with the standard of care referred to in Section 7.1 by the Issuer Trustee, its officers, employees or agents. All such amounts will be payable at such times as the Issuer Trustee and the Manager may agree from time to time. Any amount not paid when due shall bear interest at a rate per annum equal to the rate designated by the Issuer Trustee as the then current rate charged by the Issuer Trustee or its successors from time to time to its corporate customers, payable on demand. After default and unless otherwise provided in the Indenture and any documents contemplated thereunder, all amounts so payable and the interest thereon shall be payable out of any funds coming into the possession of the Issuer Trustee or its successors in the trusts hereunder in priority to any payments to other Specified Creditors.

5.13 Allocation

The Issuer Trustee will have the power to determine conclusively whether money or other assets received by the Trust or expenses or disbursements made by the Trust will be charged or credited to income or capital or allocated between income and capital, provided, however, that such determination will not be inconsistent with calculation of income in accordance with the ITA at the time the determination is made.

5.14 Fiscal Year and Form of Accounts

The fiscal year of the Trust will end on December 31. The Issuer Trustee will have the power to determine and from time to time change the method or form in which the accounts of the

Trust will be kept, provided such method or form reasonably complies with Canadian generally accepted accounting principles as applicable from time to time.

5.15 Power to Contract

In accordance with and subject to the terms of the Program Agreements, the Issuer Trustee will have the power to appoint, employ or contract with any Person as the Issuer Trustee may deem necessary or desirable for the transaction of the Trust Activities and may transfer assets to such Person and, save and except for such matters as are listed in Section 2.2, delegate to such Person any or all of the discretionary powers given to the Issuer Trustee with respect to the management of the Trust Property. Without in any way limiting the generality of the foregoing, the Issuer Trustee will have the power to:

(a) enter into, execute, deliver, perform the obligations of the Trust under, and grant security as provided for in, the Program Agreements;

(b) appoint, employ or contract with the Manager or the Administrative Agent or any other Person who, under the supervision of the Manager or Administrative Agent, may, among other things: (i) furnish and supervise or cause to be furnished and supervised the performance of the clerical and administrative services necessary to the administration of the Trust and the Trust Property including, without limitation, the provision of office space, office equipment and personnel for the performance of such services, property management, administration and servicing, the maintenance of documents, books and Records for the Trust (including those described in Section 8.1), the receipt and disbursement of Trust Property, the servicing and payment of debt and other obligations and generally all matters relating to the obtaining of and the administration and servicing of Trust Property, including, without limitation, as provided in the Administrative Services Agreement or Management Agreement; (ii) serve as an advisor to the Issuer Trustee, furnish reports to the Issuer Trustee and provide research, economic and statistical data in connection with the Trust Activities; (iii) act as consultant, accountant, correspondent, lender, technical advisor, counsel, broker and dealer, underwriter, fiscal agent, corporate fiduciary, escrow agent, depository, custodian or agent for collection from obligors, loan administrator, appraiser, bank, insurer or insurance agent, transfer agent or registrar or issuing and paying agent for Funding Obligations or in any other capacity deemed by the Issuer Trustee necessary or desirable; (iv) act as attorney or agent in the purchase or sale or other disposition of the Trust Property or the property secured thereby and the handling, prosecution or settling of any claims of the Trust and assist in the performance of such functions necessary in the management of the Trust as may be agreed upon with the Issuer Trustee; and (v) execute and deliver the Program Agreements. For greater certainty, the appointment by the Issuer Trustee of the Administrative Agent under the Administrative Services Agreement and the Manager under the Management Agreement will, where applicable, be deemed to constitute adequate supervision by the Issuer Trustee for purposes of the *Trustee Act* (Ontario) and this Declaration of Trust of any Person thereby engaged in connection with the foregoing activities; and

(c) investigate, select and conduct negotiations with Persons acting in the capacities referred to in Section 5.15(b) and pay appropriate fees to, and enter into appropriate contracts with, employ or retain the services of, any of them in connection with the Trust Property or property secured thereby, other assets and any security related thereto funded, acquired, sold or otherwise disposed of, or committed, negotiated or contemplated to be funded, acquired, sold, or otherwise disposed of in connection with Funding Obligations.

5.16 Indemnification

In accordance with and subject to the terms of the Program Agreements, the Issuer Trustee will have the power to indemnify or enter into agreements with respect to indemnification with any Person with whom the Issuer Trustee or the Trust deals to such extent as the Issuer Trustee determines necessary or desirable.

5.17 Further Powers

Subject to Section 2.1, the Issuer Trustee will have the power to perform and do all such other acts and things and to execute itself (or have executed by any Person appointed by it pursuant to Section 5.15) all such deeds, transfers, assignments, hypothecs, agreements, certificates, directions, instruments or other documents whatsoever as it deems necessary, proper or desirable in order to carry on the Trust Activities in accordance with and subject to the Program Agreements notwithstanding that such acts, things, deeds, transfers, assignments, hypothecs, agreements, certificates, directions, instruments or other documents are not herein specifically mentioned. Any determination as to what is necessary, proper or desirable in order to carry on the Trust Activities in accordance with the Program Agreements or otherwise, provided it is made by the Issuer Trustee honestly and in good faith, will be conclusive. Any construction of this Declaration of Trust or the existence of any power or authority hereunder, made honestly and in good faith by the Issuer Trustee upon the advice of counsel, will be conclusive to the extent consistent with the law. In construing the provisions of this Declaration of Trust, there will be a presumption in favour of a grant of power to the Issuer Trustee.

5.18 Auditors

In accordance with and subject to the terms of the Program Agreements, the Issuer Trustee will have the power from time to time to select and appoint and discharge and reappoint an auditor of the Trust in its discretion and to negotiate and fix the fees of any such auditor.

5.19 Defect in Appointment

Notwithstanding anything to the contrary herein contained, no action taken by the Issuer Trustee will be invalid by reason only of any defect that is thereafter discovered in its appointment.

5.20 Status

The Issuer Trustee shall not have the status of bankrupt and shall be resident in Canada for purposes of the ITA.

ARTICLE 6
REPLACEMENT OF ISSUER TRUSTEE

6.1 Resignation of Issuer Trustee

(a) If the Issuer Trustee desires to resign and be discharged from the trusts and powers reposed in or conferred on it by this Declaration of Trust, it will provide 120 days written notice (or such shorter period of notice as the Unitholders , the Indenture Trustee and the Rating Agencies may agree to) thereof to the Unitholders, the Indenture Trustee and the Rating Agencies provided that no such voluntary resignation shall be effective until a replacement Issuer Trustee acceptable to the Unitholders and the Indenture Trustee has been appointed and has executed a written agreement whereby such replacement Issuer Trustee agrees to assume the obligations of the Issuer Trustee hereunder, under the Program Agreements and under any other contract pursuant to which the Issuer Trustee is obligated.

(b) The Issuer Trustee shall resign if a material conflict of interest arises in its role as a trustee under this Declaration of Trust that is not eliminated within 90 days after the Issuer Trustee becomes aware that it has such a material conflict of interest. Forthwith after the Issuer Trustee becomes aware that it has such a material conflict of interest, it shall provide the Unitholders, the Indenture Trustee and the Rating Agencies with written notice of the nature of such material conflict of interest. Upon such resignation, the Issuer Trustee shall (subject to Section 6.6) be discharged from its office under this Declaration of Trust. If, notwithstanding the foregoing provisions of this Section 6.1(b), the Issuer Trustee has such a material conflict of interest, the validity and enforceability of this Declaration of Trust and any agreement entered into by the Issuer Trustee shall not be affected in any manner whatsoever by reason only of the existence of such material conflict of interest. If the Issuer Trustee contravenes the foregoing provisions of this Section 6.1(b), the Unitholders, may apply, on notice to the Rating Agencies, to a court of competent jurisdiction for an order that the Issuer Trustee be replaced as Issuer Trustee hereunder.

6.2 Removal of Issuer Trustee

The Issuer Trustee may be removed from its office under this Declaration of Trust by the Unitholders, at any time by notice in writing delivered to the Issuer Trustee not less than 90 days prior to the date that such removal is to take effect.

6.3 Vacancy

In the event of the bankruptcy or insolvency of the Issuer Trustee or the inability of the Issuer Trustee to exercise its duties under this Declaration of Trust, the Unitholders may forthwith terminate the term of office of the Issuer Trustee as trustee and, in such instance, a vacancy will occur. No vacancy (including upon a resignation of the Issuer Trustee pursuant to Section 6.1(b)) shall operate to annul this Declaration of Trust or affect the continuity of the Trust or terminate

the appointment of the Administrative Agent under the Administrative Services Agreement or the Manager under the Management Agreement.

6.4 Appointment of New Issuer Trustee

If, pursuant to this Article 6, the Issuer Trustee resigns or a vacancy occurs in the office of the Issuer Trustee for any reason, the Unitholders may by instrument in writing appoint a Trust Company, which either (i) has risk-based capital of at least $50,000,000 or, in the case of an entity that is not subject to risk-based capital adequacy requirements, has a combined capital and surplus of at least $50,000,000; or (ii) has been approved in writing by each Rating Agency prior to its appointment by the Unitholders, in order to replace the Issuer Trustee. If the Unitholders fails to make such appointment within 60 days of the occurrence of any such resignation, removal or vacancy, then the Issuer Trustee may make an application, on notice to the Rating Agencies, to a court of competent jurisdiction to appoint a successor Issuer Trustee hereunder. If the Issuer Trustee elects not to make such an application, the Unitholders may do so on notice to the Rating Agencies. The expense of any act, document, deed or other instrument or thing required under this Section 6.4 will be satisfied from the Trust Property.

6.5 Merger, Consolidation and Amalgamation

Any company into which the Issuer Trustee may be merged or with which it may be consolidated or amalgamated, or any company resulting from any merger, consolidation or amalgamation to which the Issuer Trustee is a party or any company succeeding to the corporate trust business of the Issuer Trustee will be a successor Issuer Trustee under this Declaration of Trust without any further action on the part of the Issuer Trustee, provided that such company shall be a Trust Company.

6.6 Vesting in Successor Issuer Trustee

Any successor Issuer Trustee will become vested with all the estates, properties, rights, powers, duties, responsibilities and trusts of its predecessors in the trusts hereunder as if it had been originally named as Issuer Trustee pursuant to this Declaration of Trust. In furtherance of the foregoing, upon written request of the successor Issuer Trustee, the Issuer Trustee ceasing to act will do, make, execute, deliver or cause to be done, made, executed or delivered all such acts, documents, deeds or other instruments and things as may be necessary or desirable in order to more effectively assign, transfer and deliver to, and vest in, the successor Issuer Trustee, upon the trusts herein expressed, all the rights, powers and trusts of, and all property and money held by the Issuer Trustee so ceasing to act. The expense of any act, document, deed or other instrument or thing required under this Section 6.6 will be satisfied from the Trust Property.

6.7 Confidentiality

At all times (including, without limitation, at any time the Issuer Trustee should resign or be discharged from the trusts and powers reposed in or conferred on it by this Declaration of Trust), the Issuer Trustee (or the trustee so resigning and being discharged, as the case may be) will treat as confidential all information relating to the Trust, the Trust Activities and the transactions contemplated by the Program Agreements obtained by it in its capacity as Issuer Trustee.

6.8 Right to Disclose

The Issuer Trustee shall have the right to disclose any information disclosed or released to it if in the opinion of legal counsel to the Issuer Trustee it is required to disclose under any applicable laws, court order or directions of Governmental Authorities or if it is requested by a Rating Agency. The Issuer Trustee shall not be responsible or liable to any party for any loss or damage arising out of or in any way sustained or incurred or in any way relating to such disclosure.

ARTICLE 7
STANDARD OF CARE, LIMITATION OF LIABILITY OF ISSUER TRUSTEE AND OTHER MATTERS

7.1 Standard of Care

The Issuer Trustee will exercise its powers and carry out its obligations hereunder as Issuer Trustee honestly, in good faith and in the best interests of the Trust and the Unitholders and in connection therewith will exercise that degree of care, diligence and skill that a reasonably prudent Person would exercise in comparable circumstances. To the extent that the Issuer Trustee has delegated or subcontracted the performance of all or a portion of its duties to the Administrative Agent or Manager as contemplated by Section 5.15, it will be deemed to have satisfied the aforesaid standard of care. Unless otherwise required by law, the Issuer Trustee will not be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations hereunder. The Issuer Trustee will not be required to devote its entire time to the Trust Activities. For greater certainty, the entering into of any Program Agreement by the Trust and the performance by the Trust of its obligations thereunder will be deemed to be in the best interests of the Unitholders and the Trust.

7.2 Limitation of Liability of Issuer Trustee

The Issuer Trustee has entered into this Declaration of Trust solely in its capacity as trustee of the Trust and not in its personal capacity, and any and all of the representations, warranties, undertakings, covenants, indemnities, agreements and other obligations made on the part of the Issuer Trustee herein are made and intended not as personal representations, warranties, undertakings, covenants, indemnities, agreements and other obligations by the Issuer Trustee or for the purpose or with the intention of binding the Issuer Trustee in its personal capacity, but are made and intended for the purpose of binding only the Trust Property or a specific portion thereof. No property or assets of the Issuer Trustee, whether owned beneficially by it in its personal capacity or otherwise (other than the Trust Property), will be subject to levy, execution or other enforcement procedures with regard to any of the representations, warranties, undertakings, covenants, indemnities, agreements and other obligations of the Trust or the Issuer Trustee hereunder, and no recourse may be had or taken, directly or indirectly, against the Issuer Trustee in its personal capacity, any Unitholder or any Affiliate, shareholder, director, officer, representative, employee or agent of the Issuer Trustee or any predecessor or successor of the Issuer Trustee with regard to the representations, warranties, undertakings, covenants, indemnities, agreements and other obligations of the Trust or the Issuer Trustee hereunder; provided that the foregoing limitation will not apply in respect of any action or failure to act arising from or in connection with the wilful misconduct, negligence or the failure to comply with the standard of

care referred to in Section 7.1. Notwithstanding any other provision of this Article 7, but subject to the Indenture, each Specified Creditor is entitled to recourse to the Trust Property to satisfy in full the obligations of the Trust to it even if the Issuer Trustee has no right, or only an impaired right, to seek indemnification from the Trust Property or to apply the Trust Property in satisfaction of such obligations.

7.3 Indemnification of the Issuer Trustee

The Issuer Trustee, its directors, officers, agents, representatives and employees will at all times be indemnified and saved harmless out of the Trust Property from and against all claims (including any claim arising out of the assessment of any tax on income by a taxing authority), demands, levies, penalties, suits, losses, actions, causes of action, costs, charges, fees and expenses, damages and liabilities whatsoever, including, without limitation, those arising out of or related to actions taken or omitted to be taken by any agent of the Issuer Trustee, including, without limitation, the Administrative Agent or the Manager, as contemplated hereby, legal fees and disbursements on a substantial indemnity basis and costs and expenses incurred in connection with the enforcement of this indemnity (each, a "**Claim**"), which the Issuer Trustee, its directors, officers, representatives and employees may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Issuer Trustee or which it sustains or incurs in or about or in relation to the Trust Property and the Trust Activities. Further, the Issuer Trustee will not be liable to the Trust, to any Unitholder or to any other Person for any loss or damage relating to any matter regarding the Trust, including any loss or diminution in the value of the Trust Property. The foregoing provisions of this Section 7.3 do not apply to the extent that in any circumstances there has been wilful misconduct, gross negligence or the failure to comply with standard of care referred to in Section 7.1 on the part of the Issuer Trustee, its directors, officers, agents, representatives or employees excluding the other parties to the Program Agreements. Notwithstanding any other provision hereof, this indemnity will survive the removal or resignation of the Issuer Trustee, the termination of this Declaration of Trust and the termination of any trust created hereby.

7.4 Reliance upon Advice

The Issuer Trustee may rely and act upon any statement, notice, report or opinion prepared by or any advice received from the Administrative Agent or the Manager or from the auditors, counsel or other professional advisors of the Issuer Trustee and will not be responsible or held liable for any loss or damage resulting from so relying or acting if the Issuer Trustee acted reasonably and in good faith relied upon the advice received and if the professional advisor was aware that the Issuer Trustee was receiving the advice in its capacity as Issuer Trustee. The Issuer Trustee is entitled to be reimbursed from the Trust Property for all costs, charges and expenses it incurs in connection with obtaining any such statement, notice, report, opinion or advice. The Issuer Trustee is entitled to rely and act upon the genuineness and authenticity of any writing submitted to it that it in good faith believes to be genuine.

7.5 Retain Experts

The Issuer Trustee may appoint such agents and employ or retain such counsel, accountants, engineers, appraisers or other experts or advisers as it may reasonably require for the purpose of discharging its duties hereunder and shall not be responsible for any misconduct on the part of any of them. The Issuer Trustee may pay remuneration out of the Trust Property for all services performed for it in the discharge of the trusts hereof without taxation for costs or fees of any counsel, solicitor or attorney.

7.6 Reliance on Experts

The Issuer Trustee may act and rely and shall be protected in acting in good faith on the opinion or advice of or information obtained from any agent, counsel, accountant, engineer, appraiser or other expert or adviser in relation to any matter arising in the performance of its duties under the Program Agreements.

7.7 Provisions Regarding Liability

Any written instrument creating an obligation of the Issuer Trustee will be conclusively deemed to have been executed by the Issuer Trustee only in its capacity as Issuer Trustee. Any written instrument creating an obligation of the Issuer Trustee will contain a provision to the effect that the obligations thereunder are not binding upon the Issuer Trustee except in its capacity as Issuer Trustee, nor will recourse be had to the property of the Issuer Trustee except in its capacity as Issuer Trustee, but that the Trust Property or a specific portion thereof only will be bound, and may at the request of the Issuer Trustee make specific provision to the foregoing effect and contain any further provisions which the Issuer Trustee may deem appropriate, but the omission of any such provisions will not operate to invalidate any such instrument or to impose liability on the Issuer Trustee, except as aforesaid. The Issuer Trustee shall not be required to expend or risk its own funds or otherwise incur financial liability in the performance of its duties hereunder.

ARTICLE 8
RECORDS

8.1 Records to be Kept

The Issuer Trustee will keep or cause to be kept at the head office of the Trust a copy of this Declaration of Trust, a register of Unitholders, minutes of meetings and resolutions of Unitholders, minutes of meetings and resolutions of the Issuer Trustee, and such Records as are by law or good business practice necessary. The Records may be kept at the office of any Person whom the Issuer Trustee has appointed to maintain the same, provided that the Issuer Trustee has access to the Records on one Business Day’s notice to such Person.

8.2 Segregation of Assets

The Issuer Trustee shall maintain the Trust Property separate from all other property in its possession.

8.3 Method of Keeping Records

Where this Declaration of Trust requires the Issuer Trustee to cause a Record to be kept, it may be kept in bound or loose-leaf form or by means of a mechanical, electronic or other device.

8.4 Annual Financial Statements

A copy of the annual financial statements of the Trust, signed by the Issuer Trustee, shall be mailed or otherwise made available within 120 days following the end of a fiscal year to which they relate to each Unitholder. The financial statements shall include all information required to be included in annual financial statements of the Trust by applicable laws.

ARTICLE 9
MEETINGS OF UNITHOLDERS AND DECISION OF UNITHOLDERS

9.1 Annual Meeting

There will not be an annual meeting of the Unitholders.

9.2 Other Meetings

The Issuer Trustee will have power at any time to call meetings of the Unitholders at such time and place as the Issuer Trustee may determine. Unitholders holding in the aggregate not less than a majority of the outstanding Units may requisition the Issuer Trustee in writing to call a meeting of the Unitholders for the purposes stated in the requisition. The requisition shall state in reasonable detail the business proposed to be transacted at the meeting and will be sent to the Issuer Trustee at the address of the Issuer Trustee. Upon receiving the requisition, the Issuer Trustee will call a meeting of the Unitholders to transact the business referred to in the requisition. If the Issuer Trustee does not within 10 days after receiving the requisition call a meeting, any Unitholder who signed the requisition may call the meeting.

9.3 Quorum and Voting

A quorum for any meeting of the Unitholders will be persons present being Unitholders or representing by proxy Unitholders who hold in the aggregate a majority of the total number of outstanding Units. Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy. Each Unit will be entitled to one vote at all meetings of the Unitholders. Any action to be taken by the Unitholders will, except as otherwise required by this Declaration of Trust, or by law, be authorized when approved by a majority of the votes cast at a meeting of the Unitholders. The chairman of any such meeting will not have a second or casting vote.

9.4 Written Resolution

Any business which may be conducted at a meeting of the Unitholders may be approved by a resolution in writing in lieu thereof. Notice of such resolution will be given to all Unitholders and approval of such resolution will be evidenced by the signature on any such resolution or counterpart thereof by the required percentage of Unitholders for the matter to be determined.

ARTICLE 10
AMENDMENT

10.1 Amendment

Subject to Section 2.1 and compliance with the terms of the applicable Program Agreements, the Issuer Trustee may, from time to time, amend, vary, supplement, replace or restate the provisions of this Declaration of Trust without the consent or approval of the Unitholders or any court as follows:

(a) to the extent deemed necessary by the Issuer Trustee in good faith to be necessary to ensure compliance with, or to remove any conflicts or other inconsistencies which may exist between any term of this Declaration of Trust and the provisions of, any applicable law in effect from time to time;

(b) to the extent deemed necessary by the Issuer Trustee in good faith to be necessary to make any change or correction in this Declaration of Trust which is a typographical change or correction or which the Issuer Trustee has been advised by legal counsel is required for the purpose of curing any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error contained herein, or

(c) subject to the satisfaction of the Rating Agency Condition, to the extent deemed necessary or desirable in the sole discretion of the Issuer Trustee to permit or facilitate the carrying on of the Trust Activities, including the accommodation of requests made by the Rating Agencies or regulatory authorities in relation to the issuance of Funding Obligations.

However, any such amendment may be made only if it will not materially adversely affect the interest of any Unitholder, unless that Unitholder has also approved of the amendment in writing. The Issuer Trustee will immediately upon the entering into thereof, provide the Rating Agencies and the Indenture Trustee with a copy of any amendment, variation, supplement, replacement or restatement of this Declaration of Trust.

10.2 Automatic Amendment

Upon the Issuer Trustee ceasing to be a trustee of the Trust, this Declaration of Trust will be automatically amended to delete any reference to the name of the trustee so ceasing to be a trustee of the Trust and to substitute therefor the name of the successor trustee of the Trust. Notice of any change in the Issuer Trustee may be endorsed upon or attached to this Declaration of Trust and signed by the successor Issuer Trustee and every such notice will be sufficient evidence to any Person dealing with the Issuer Trustee under this Declaration of Trust as to the facts to which it relates.

10.3 Supplemental Declaration of Trust

The Issuer Trustee is authorized to execute any supplemental declaration of trust to give effect to amendments to this Declaration of Trust made pursuant to this Article 10. The Issuer

Trustee shall not be obligated to enter into any such supplemental declaration if it adversely affects the Issuer Trustee's rights, duties or immunities under this Declaration of Trust or otherwise. No amendment to or amendment and restatement of this Declaration of Trust, whether pursuant to this Article 10 or otherwise, shall be construed as a termination of the Trust or the settlement or establishment of a new trust.

ARTICLE 11
DISTRIBUTION OF TRUST PROPERTY[2]

11.1 Distributions

(1) The Issuer Trustee may declare to be payable and make distributions, from time to time, out of Income of the Trust, net realized capital gains of the Trust, capital of the Trust or otherwise, in any year, in such amount or amounts, and on such dates as the Issuer Trustee may determine, to the Unitholders at the record date for such distribution. The Issuer Trustee may declare such amounts to be payable or authorize such distributions in advance by way of a standing resolution that is effective for a period not exceeding 12 months after the date of the resolution.

(2) If the Issuer Trustee declares to be payable or makes a distribution pursuant to subsection 11.1(1) without determining the portion of such distribution that is payable out of Income of the Trust, net realized capital gains of the Trust, capital of the Trust or otherwise, such allocation shall be made pursuant to subsection 11.2(2).

(3) Having regard to the present intention of the Issuer Trustee to make payable to Unitholders all of the Income of the Trust and net realized capital gains of the Trust for each taxation year so that the Trust will not have any liability for tax under Part I of the ITA in any taxation year (other than alternative minimum tax or taxes payable under the "SIFT trust" rules in the ITA), unless the Issuer Trustee, in its sole discretion determines otherwise, the following amounts will, without any further actions on the part of the Issuer Trustee, be due and payable to the Unitholders of record on the last day in each such taxation year:

(a) an amount equal to the amount, if any, by which the Income of the Trust for such year exceeds the aggregate of (A) any amount of the Income of the Trust payable to redeeming Unitholders pursuant to subsection 4.1(5), (B) the aggregate of the portions of the distributions paid or payable by the Trust which have been determined by the Issuer Trustee to have been payable by the Trust out of the Income of the Trust for such year, if any, and (C) the aggregate of the portions of distributions deemed by subsection 11.2(2)(a) to be paid or payable by the Trust out of the Income of the Trust for such year; and

(b) an amount equal to the amount, if any, by which the net realized capital gains of the Trust for such year exceeds the aggregate of (A) any amount of the net realized capital gains of the Trust payable to redeeming Unitholders pursuant to subsection 4.1(5), (B) the aggregate of the portions of the distributions paid or

[2] Subject to PILs exemption.

payable by the Trust which have been determined by the Issuer Trustee to have been payable by the Trust out of net realized capital gains of the Trust for such year, if any, and (C) the aggregate of the portions of distributions deemed by subsection 11.2(2)(b) to be paid or payable by the Trust out of the net realized capital gains of the Trust for such year, if any.

Any determinations by the Issuer Trustee not to make a distribution described in this subsection 11.1(3) must be exercised by the Issuer Trustee in writing prior to December 31 of the applicable taxation year.

(4) The proportionate share of each Unit of the amount of any distribution made pursuant to this section will be determined by dividing such amount by the number of issued and outstanding Units on the applicable record date in respect of a distribution pursuant to subsection 11.1(1) and on the last day of the taxation year in respect of a distribution pursuant to subsection 11.1(3). Each Unitholder's share of the amount of any such distribution will be an amount equal to the proportionate share of each Unit of such amount multiplied by the number of Units owned of record by each such Unitholder on such applicable record date or the last day of the taxation year, as the case may be, and such Unitholder shall, on such date, be entitled to enforce payment of the Unitholder's share. Subject to section 11.3, amounts which are payable to Unitholders will be paid in cash.

11.2 Allocation

(1) Subject to subsection 11.2(2), distributions payable to the Unitholders pursuant to Article 11 will be deemed to be distributions of Income of the Trust (including dividends), net realized capital gains of the Trust, returns of capital or other items in such amount as the Issuer Trustee in its absolute discretion determines and will be allocated to the Unitholders in the same proportions as distributions received by the Unitholders, subject to the discretion of the Issuer Trustee to adopt an allocation method which the Issuer Trustee considers to be more reasonable in the circumstances.

(2) If the Issuer Trustee has declared to be payable or made one or more distributions in a taxation year pursuant to subsection 11.1(1) without determining the portion of such distributions that is payable out of Income of the Trust, net realized capital gains of the Trust, capital of the Trust or otherwise, such distributions shall be deemed to be paid or payable out of:

(a) first, the Income of the Trust for such year to the extent, if any, that the Income of the Trust for such year exceeds the aggregate of the amounts in subsection 11.1(3)(a)(A) and 11.1(3)(a)(B);

(b) second, the net realized capital gains of the Trust for such year to the extent, if any, that the net realized capital gains of the Trust for such year exceeds the aggregate of the amounts in subsection 11.1(3)(b)(A) and 11.1(3)(b)(B); and

(c) as to any balance, the capital of the Trust;

and such amounts will be allocated to the Unitholders in the same proportions as such distributions were received by the Unitholders.

(3) For greater certainty it is hereby declared that any distribution of net realized capital gains of the Trust will include the non-taxable portion of the capital gains of the Trust which are included in such distribution.

11.3 Payment of Distributions

(1) Distributions to a Unitholder will be made by cash, wire transfer or cheque payable to or to the order of the Unitholder or by such other manner provided for in subsection 11.3(3). The payment, if made by cheque, will be conclusively deemed to have been made upon hand delivery of a cheque to the Unitholder or to its agent duly authorized in writing or upon the mailing of a cheque by prepaid first-class mail addressed to the Unitholder at its address set out in the records of the Issuer Trustee unless the cheque is not paid on presentation, or in any other manner determined by the Issuer Trustee in its discretion. The Issuer Trustee may issue a replacement cheque if it is satisfied that the original cheque has not been received or has been lost or destroyed upon being furnished with such evidence of loss, indemnity or other document in connection therewith that the Issuer Trustee may in its discretion consider necessary.

(2) The Issuer Trustee may, in its sole discretion, transfer temporarily from capital to income within the Trust sufficient cash to facilitate payments of Income of the Trust to Unitholders. A permanent transfer from capital to income may be effected if payments made by and /or expenses of the Trust in any year exceed the aggregate of the net income and net realized capital gains of the Trust in such year.

(3) Without limiting the generality of the foregoing, a distribution to a Unitholder may be paid (i) by the issuance of additional Units, or fractions of Units having a fair market value equal to the amount of such distribution, (ii) by the issuance of a promissory note for a principal amount equal to the amount of such distribution and/or (iii) *in specie* by the transfer of Trust Property having a fair market value equal to the amount of such distribution, all as may be determined by the Issuer Trustee. The Issuer Trustee acknowledges and agrees that it will elect to make payment to a Unitholder of the amount of a distribution in the manner described in this subsection 11.3(3) only if it has received prior written notice from the Unitholder that such payment method is acceptable, and the Unitholder makes the cash payment described in Section 11.7 to the Issuer Trustee, which written notice may be revoked in writing by the Unitholder at any time. If the Issuer Trustee elects to make payment of the amount of a distribution by the issuance of a promissory note, such promissory note shall bear interest at a fixed or floating rate, shall be repayable on demand or on the expiry of a stated term, and shall contain such other terms all of which may be determined by the Issuer Trustee such that the fair market value of such promissory note is equal to the amount of the distribution. Any such promissory note or additional Units issued, or Trust Property transferred, by the Trust shall constitute absolute and unconditional payment in full of the distribution and, by becoming a Unitholder, each Unitholder hereby acknowledges that any such note, additional Units or transfer of Trust

Property will be accepted by the Unitholder as such absolute and unconditional payment of the distribution payable to the Unitholder.

11.4 Legal Rights

For greater certainty, it is hereby declared that the Unitholders shall have the legal right to enforce payment of any amount to be distributed or payable hereunder at the time such amount is due and payable.

11.5 Income Tax Matters

In reporting income for income tax purposes, the Trust will claim the maximum amount available to it as deductions under the relevant law, unless the Issuer Trustee determines otherwise.

11.6 Designations

In accordance with and to the extent permitted by the ITA, the Issuer Trustee will, in each taxation year, make such designations for income tax purposes in respect of amounts paid or payable or deemed to be paid to the Unitholders for such amounts that the Issuer Trustee considers to be reasonable in all circumstances, including designations relating to taxable dividends received or deemed to be received by the Trust in the year on shares of taxable Canadian corporations, net taxable capital gains of the Trust in the year and foreign source income of the Trust and foreign taxes in respect of such foreign source income for the year, if any.

11.7 Withholding Taxes

The Issuer Trustee will deduct or withhold from distributions payable to a Unitholder amounts required by law to be deducted or withheld from such Unitholder's distributions, whether such distributions are in the form of cash, a promissory note, additional Units or otherwise. To the extent that any amounts are deducted or withheld from payments described in subsection 11.3(1), such deducted or withheld amounts shall be treated for all purposes as having been paid to a Unitholder in respect of the distribution payable, provided that such deducted or withheld amounts are actually remitted in accordance with applicable law to the appropriate taxing authority. In the event that the Issuer Trustee elects to pay a distribution pursuant to subsection 11.3(3), the Unitholder shall provide cash to the Issuer Trustee in amount equal to any required deduction or withholding, which the Issuer Trustee shall forthwith remit to the appropriate taxing authority on behalf of the Unitholder.

ARTICLE 12
TERMINATION OF THE TRUST

12.1 Termination

(a) The Trust will continue in full force and effect for a period of twelve months from the date hereof and thereafter for so long as any Funding Obligations remain outstanding and until the Trust has satisfied all of its obligations under the Program Agreements or otherwise for the purposes of carrying on the Trust Activities. Notwithstanding the foregoing, the Issuer Trustee may, with the unanimous

approval of Unitholders, wind-up the affairs of the Trust and terminate the Trust and distribute the Trust Property then remaining to the Unitholders in proportion to the number of Units held by each Unitholder no later than the date that is one day prior to the 21st anniversary of the death of the last surviving lineal descendent of Queen Elizabeth, II of England living at the date this declaration is made.

(b) Subject to Section 12.1(a), the Issuer Trustee may, with the unanimous approval of the Unitholders, wind up the affairs of the Trust and terminate the Trust. To the fullest extent permitted by law, and notwithstanding any duty otherwise existing at law or in equity, the Issuer Trustee shall consider only the interests of the Trust, including its creditors, in acting on the matters referred to in this Section 12.1. On the date the Trust is terminated, the Issuer Trustee will, upon receipt of such releases, indemnities and refunding agreements as the Issuer Trustee may deem necessary for its protection, distribute the remaining Trust Property, after payment of all other obligations of the Trust, in cash or in kind , or partly in each, to the Unitholders in proportion to the number of Units held by each Unitholder

ARTICLE 13
GENERAL

13.1 Irrevocability

The Trust shall be irrevocable.

13.2 Change of Office

The Issuer Trustee may at any time and from time to time during the existence of the trusts hereby created change the head office, chief executive office, chief place of business and situs of the administration of the Trust to another location within Ontario or have such other offices or places of administration within Canada as the Issuer Trustee may from time to time determine is necessary or desirable.

13.3 Execution of Instruments

The Issuer Trustee shall have power from time to time to appoint any Person or Persons on behalf of the Trust either to sign instruments in writing generally or to sign specific instruments in writing.

13.4 Manner of Giving Notice

Except as otherwise permitted herein, any notice required or permitted by the provisions of this Declaration of Trust to be given to a Unitholder or the Issuer Trustee shall be deemed conclusively to have been given if given either by delivery or by prepaid first-class mail addressed to each Unitholder at its address shown on the register of Unitholders or to the Issuer Trustee at the last address provided by the Issuer Trustee for such purpose. Any notice so given shall be deemed to have been given on the day of hand delivery or the day following that on which the notice was mailed.

13.5 Taxation Information

On or before March 30 in each year, or such earlier day as is required by applicable legislation or regulation, the Issuer Trustee will provide to Unitholders who received distributions from the Trust in the prior calendar year such information regarding the Trust required by applicable law to be submitted to Unitholders for income tax purposes to enable Unitholders to complete their tax returns in respect of the prior calendar year.

13.6 Severability

The provisions of this Declaration of Trust are severable and if any provisions are in conflict with any applicable law, the conflicting provisions shall be deemed never to have constituted a part of this Declaration of Trust and shall not affect or impair any of the remaining provisions thereof. If any provision of this Declaration of Trust shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall attach only to such provision in such jurisdiction and shall not in any manner affect or render invalid or unenforceable such provision in any other jurisdiction or any other provision of this Declaration of Trust in any jurisdiction.

13.7 Governing Law

This Declaration of Trust shall be interpreted and governed by and take effect exclusively in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Any and all disputes arising under this Declaration of Trust, whether as to interpretation, performance or otherwise, shall be subject to the exclusive jurisdiction of the courts of the Province of Ontario and the Issuer Trustee hereby irrevocably attorns, and each Unitholder shall be deemed to hereby irrevocably attorn, to the exclusive jurisdiction of the courts of such province.

13.8 Language

Les parties aux présentes ont exigés que la présente convention ainsi que tous les documents et avis qui s'y rattachent et/ou qui en découleront soient rédigés en la langue anglaise. The parties hereto have required that this Declaration of Trust and all documents and notices resulting herefrom be drawn up in English.

IN WITNESS WHEREOF the Issuer Trustee has caused this Declaration of Trust to be executed as of the day and year first above written by its duly authorized signatories.

[TRUST COMPANY],
as Issuer Trustee

By: _____
Name:
Title:

By: _____
Name:
Title:

From:	Gadi Mayman
To:	Scott Nelms (ENERGY)
Cc:	Ronald Kwan; Ken Kandeepan; Anna Strathy; Mike Manning; James Devine; Carlos Yep
Subject:	Fw: Fair Hydro Business Issues
Date:	Sunday, June 25, 2017 7:26:22 PM
Attachments:	Financing Plan_May 2017.pdf

Jim's reminded me that he's also away meeting with investors until Thursday, so I've added Carlos to the list for a Capital Markets perspective when we get together.

Gadi

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Sunday, June 25, 2017 6:52 PM
To: Gadi Mayman; Mike Manning; Ronald Kwan; Ken Kandeepan; James Devine
Cc: Anna Strathy
Subject: RE: Fair Hydro Business Issues

FYI – this may provide helpful context. From OPG last week.

From: Nelms, Scott (MOF)
Sent: June-25-17 5:58 PM
To: Mayman, Gadi (OFA); Manning, Mike (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Devine, James (OFA)
Cc: Strathy, Anna (OFA)
Subject: RE: Fair Hydro Business Issues

Thanks Gadi. I will look for time perhaps Wednesday afternoon and try to gather the same group that talked through the guarantees. Need to work around LRC, TB, Cab schedules.

From: Gadi Mayman [mailto:Gadi.Mayman@ofina.on.ca]
Sent: June-25-17 5:39 PM
To: Nelms, Scott (MOF); Manning, Mike (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Devine, James (OFA)
Cc: Strathy, Anna (OFA)
Subject: Re: Fair Hydro Business Issues

I'm adding Ken and Jim to this conversation, as Mike is away this week and Jim is filling in for him. I'm away Thursday and Friday, but would be happy to find some time Tuesday or Wednesday for the internal meeting you're suggesting, Scott.

Gadi

From: Nelms, Scott (MOF)
Sent: Sunday, June 25, 2017 5:23 PM
To: Gadi Mayman; Mike Manning; Ronald Kwan
Subject: Fair Hydro Business Issues

Hi Gadi, Mike, Ron,

I had a chat with Ken Hartwick on Friday afternoon about our position on fees as well as progress on

what we have been calling “business issues” (equity injection process, sub-debt agreement, guarantees). He agreed that we could push out the fees conversation from this round of regulation drafting, but wanted to make sure we set up time in early July to talk through these issues and land them asap. Here is where I think we are on each point:

- Fees: OPG wants a very light touch from OEB and, formulaic approach that mimics fee structures for portfolio managers (base fee tied to AUM + variable fee tied to performance). ENE agrees with the variable fee component (limited to $1M floor / ceiling), but has concerns about a base fee that does not tie to costs and wants a more substantive role for OEB.

- Guarantees: as you know the Province’s position was shared on Friday

- Equity Injections: I believe OPG has provided a draft structure. Unless OFA has concerns, I think this is largely procedural.

- Sub-debt: I don’t have much visibility in to this one. I heard folks from OFA were in discussions. This should link in with the fees conversation given the relationship with performance.

I would suggest we try and have an internal conversation later this week to discuss where we are on each of these in order to be ready to meet with OPG the following week.

Let me know if this makes sense or if I am missing anything.

Thanks,

Scott

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Financing Plan

ONTARIO POWER GENERATION



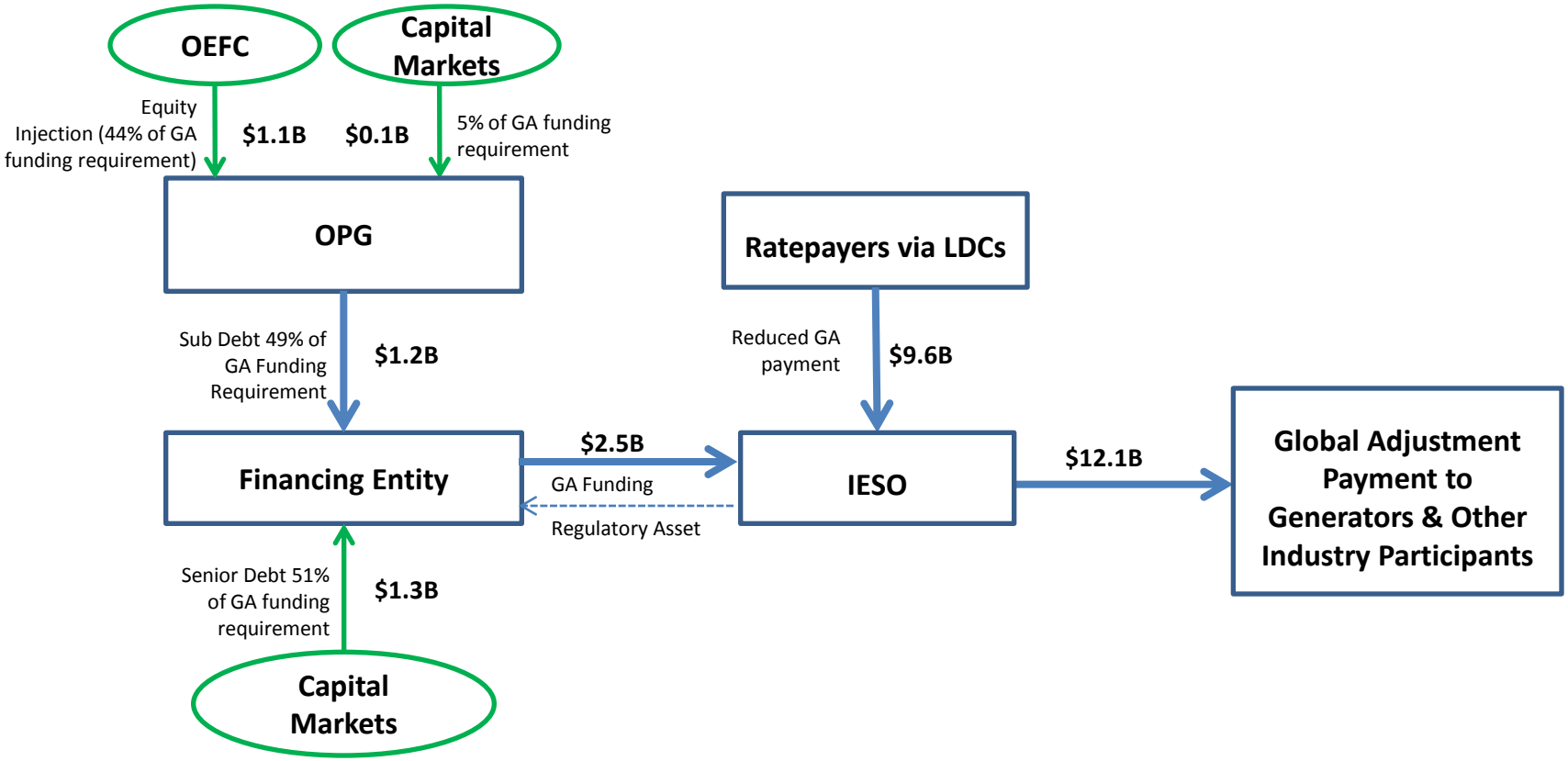
Financing Plan

Highlights:

- Legislation as currently drafted provides for a framework to implement the Fair Hydro Plan Act:
  - (i) to allow flexibility in OPG's corporate structure and to enable OPG to raise financing through public offerings of debt
  - (ii) for a regulatory asset consisting of the right to recover over time the amount of the Global Adjustment being deferred, together with interest and other costs
- Regulations and principal agreement need to be negotiated and agreed to in order to provide a completely financeable program
- A Financing Entity will be set up that will hold the claim on future customers and the debt issued to fund the payment to the IESO for the regulatory asset
- The GA financing platform will be developed to access both the Canadian and US markets in order to access best pricing and flexibility
- OPG will provide services to the Financing Entity including financings via a financial service and management agreement

Financing Plan – Structure

Illustration based on $2.5B GA Funding





Financing Plan - Components

- Debt components are:

	Risk Profile	Source	% of Total Funding Requirement
Tranche A Senior Debt	the least risky	Capital Markets	51%
Tranche B Sub Debt	In between A&C	OPG via Province	39%
Tranche C Sub Debt	the most risky	OPG via Province	5%
		OPG via Capital Markets	5%



Financing Plan – Rationale

The rationale for the structural debt percentages are:

- **Minimum of 51% from the Capital Markets**
  - Required from an accounting treatment perspective in order to consolidate the Financing Entity on OPG's financial statements, otherwise the debt is consolidated with the Province
  - Accounting treatment also requires OPG to direct the activities of the Financing Entity, and that the Province not directly or indirectly fund (through debt or equity) more than 50% of the Financing Entity to allow for OPG consolidation
- **Minimum Provincial equity contribution of up to 44%**
  - Help to is avoids the potential risk of a credit downgrade from the rating agencies as a result of the incremental debt consolidated on OPG financial statements negatively impacting credit metrics (Funds from Operations/ Debt)
- **Minimum OPG Investment of 5% from the Capital Market**
  - OPG requires a minimal amount of debt at risk financed through OPG operating cash flows or capital market debt. To demonstrate control of the Financing Entity OPG must own >=50% of the most subordinated debt and targeted to be no less than 5% of the total debt of the Financing Entity
  - The Province must not directly or indirectly fund (through debt or equity) more than 50% of OPG's investments in the most subordinated debt of the Financing Entity to lessen the materiality of OPG's debt at risk



Financing Plan – Other Elements

Other Structural Advantages:

- **Financing Entity:**
  - Is ring-fenced from OPG as a single purpose entity with no other operations that could add risk to the OPG entity
  - Is targeting a higher credit rating than OPG and therefore will have lower financing costs than OPG in the Capital Markets
  - Will record funding revenue reflecting the growth in the deferred asset value which will mitigate the negative impact on OPG's credit rating from the debt consolidation
  - Allows for flexibility to fund debt tranches with different terms, contractual consideration and subordination
  - Subordination will play an important credit enhancement role for the senior debt, and could act as a buffer or first loss of capital in any credit event
- **Operational attributes:**
  - OPG is the Financing and Services Manager for the Financing Entity and direct its activities
  - Short term debt can be warehoused in the Financing Entity until OPG accesses the Capital Markets
  - OPG will be independently accessing the public debt markets on a commercial basis
  - Opportunity to access the US market as appropriate



Financing Plan – Overview

The Financing Plan has two main phases:

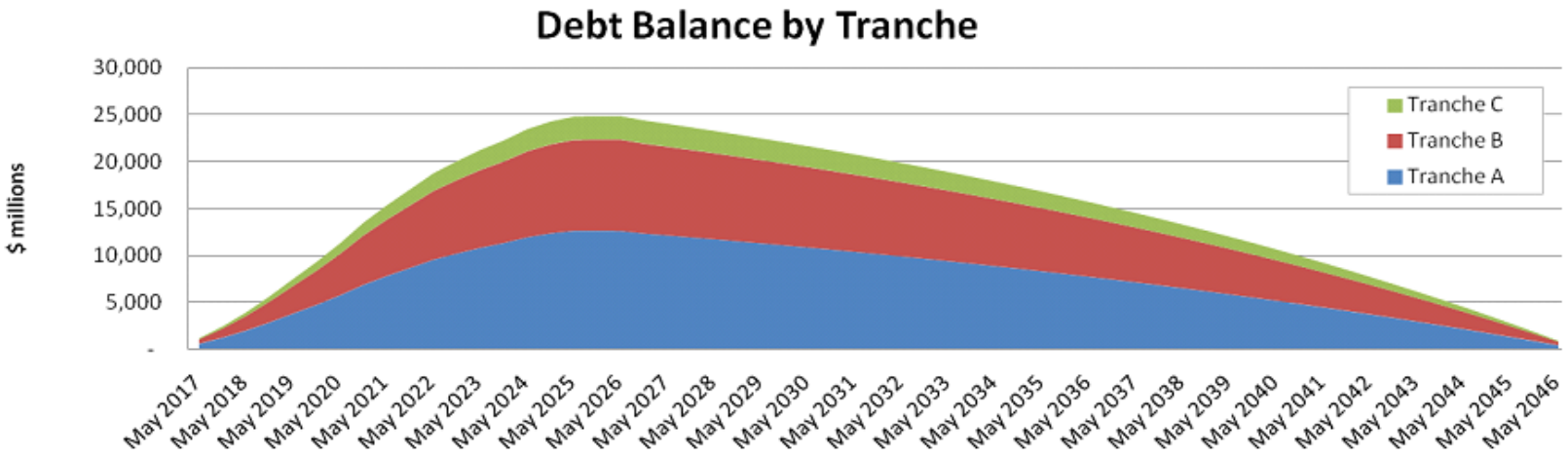
- **Net Borrowing Phase (2017-2026)**
  - During this 10 year period the debt created by the deferral of electricity charges will accumulate, together with associated interest costs & other fees, that in combination will establish the regulatory assets.
  - Monthly the Financing Entity will purchase the regulatory assets from IESO (purchase is ~$200M) as follows:
    - 51% through external capital markets (~$102M per month)
      - Initially the financing plan will access liquidity facilities at the Financing Entity level to fund and warehouse the monthly asset purchase requirement
      - On a quarterly basis when the accumulated monthly funding has reached a certain level ($300M), public debt will be offered to the market
    - Up to 49% subordinated debt in OPG
      - 44% funded through OPG via equity injections from the Province (~$88M/ month)
      - 5% funded through OPG via the capital markets (~$10M/ month)
  - Cash interest will be paid based on the lender agreements. The interest costs will be added to future borrowing requirements, and do not flow through to consumers during this period

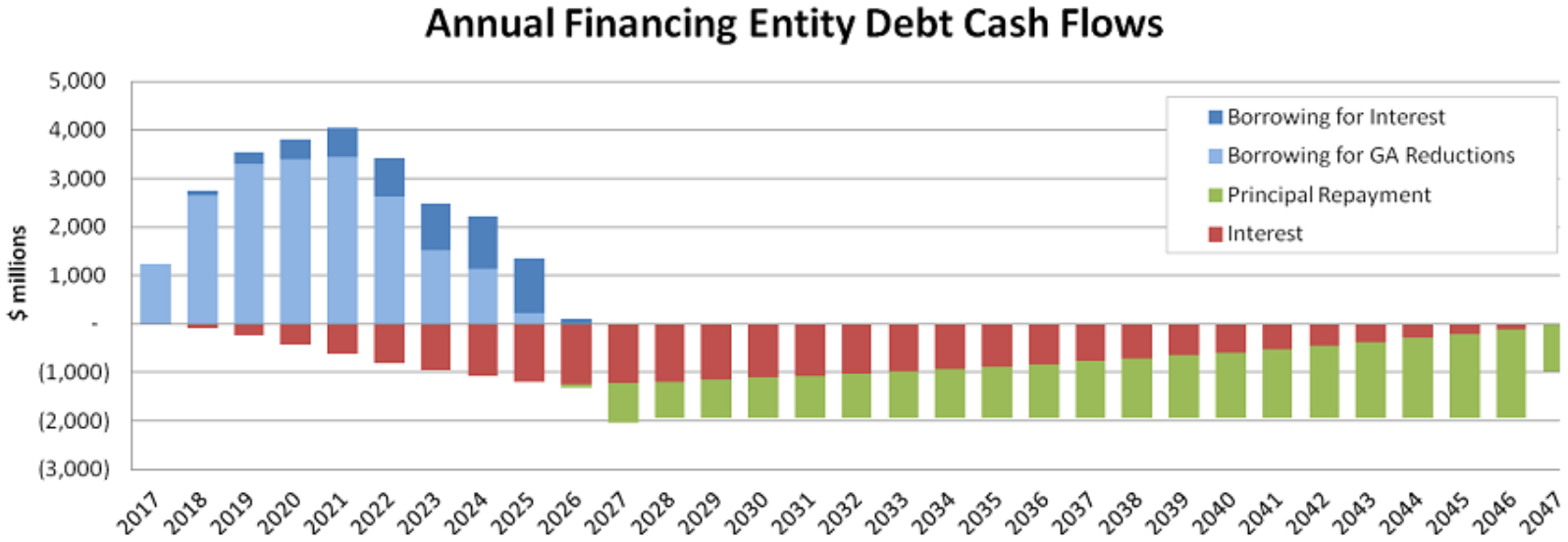


Financing Plan – Program Overview

- **Debt Amortization Phase (2027-2046)**
  - Starting 2027, the accumulated debt created by the deferral will be recovered and paid down by 2047
  - Similar to mortgage style debt payment, a combination of principal and interest will be paid to lenders during this 20 yr period
  - Financing Entity structure continues until all the debt is repaid
  - Target to keep the charge paid by ratepayers during the amortization period to less than 10% of a customers bills to meet credit rating agency guidelines

Debt Profile & Cash Flows





ONTARIO POWER GENERATION



Financing Plan – Funding Alternatives

Key Considerations

- There are several potential funding sources that can be considered to structure the overall financing program, including securitization (issued in Canada or the U.S.), bonds, bank financing, and subordinated debt

Short Term	
ABCP Conduit	▪ R-1(high)/P-1 credit ratings required from DBRS and Moody's (limited market capacity if these ratings are not achieved) ▪ Requires periodic take-outs to repay warehouse funding; take-out risk needs to be addressed as amortization of debt currently not contemplated to commence until after year 10
Bank	▪ No external rating required ▪ Take-out risk needs to be addressed as amortization of debt currently not contemplated to commence until after year 10
Long Term	
Canadian Term ABS	▪ AAA ratings required from at least two of DBRS, Moody's, S&P or Fitch (limited market capacity if these ratings are not achieved) ▪ Tenors > 10 years to be explored
Canadian Bond	▪ This type of financing has not been tested in the Canadian market ▪ AAA ratings not required to access the market ▪ Provides access to broadest investor base in the Canadian market
US Term Debt (ABS/Bonds)	▪ Proven market for securitization and higher market capacity available than Canadian Term ABS ▪ Ratings required from at least two of S&P, Moody's or Fitch (AAA required for Term ABS) ▪ Requires cross-currency swaps
Subordinated Debt	▪ Nature of subordinated debt, repayment terms/flexibility and contingent Provincial support applicable to subordinated debt will impact pricing ▪ Quantum of subordinated debt creates equity like thickness and may serve as a credit enhancement for the senior debt



Indicative Pricing Consideration

Indicative Pricing Considerations

- Although all of the debt issued by the Financing Entity is expected to be afforded the same level of protection including a provincial guarantee, a higher return on the subordinated debt (sub debt) would be required to compensate for incremental risk to the extent:
  - The rating agencies attribute a lower rating to the sub debt relative to the senior debt because of its ranking in the cash flow waterfall
  - The ratings of senior debt need to be credit enhanced by all or a portion of the sub debt as follows:
    1) Flexibility to defer charges to rate payers and hence extend the expected duration of the sub debt to manage the total amount charged to rate payers as a proportion of the total bill during the recovery period – could result in non repayment by 2047 if a hard cap is included
    2) Defer principal payments on certain classes of sub debt until more senior notes are fully repaid

Feature	Tranche B Subordinated Debt	Tranche C Subordinated Debt
	Explanation	**Explanation**
Credit Risk	Credit enhancement to Tranche A (senior debt)	Credit enhancement to Tranche A (senior debt) Act as first “loss absorber”
Duration/Tenor Premium	Same duration as Market Notes	Same duration as Market Notes
Certainty of timing of payments	Same as Market Notes but lower in the waterfall	Some additional volatility in timing of payments, but trued-up every 6 months
Liquidity Premium	Issue size expected to be similar to senior debt	Relatively small amount which will have less liquidity

From:	Hanslep, Malle (MOF)
To:	Carlos Yep; Mike Manning; Ken Kandeepan; Ronald Kwan; Gadi Mayman; Tobias P. Whitfield (MOF); Anna Strathy
Subject:	Fw: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt
Date:	Thursday, November 30, 2017 12:20:35 PM
Attachments:	Interest Protocol Agreement (OPG 11-29).doc

Hi

We have not been involved in this to date. Sending it along as it looks like the OFA has had some involvement

Malle

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: WONG Leslie -LAWDIV <leslie.wong@opg.com>
Sent: Thursday, November 30, 2017 12:16
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF)
Cc: LEE John -TREASURY; LIU Sheen -TREASURY; MCAULEY Tyler -LAWDIV; RYFA Ken -TREASURY; PRESTON Stuart -TREASURY
Subject: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Dear Alena and Malle,

Please find attached a draft of the protocol agreement relating to the determination of interest rates on the subordinated and junior subordinated debt to be issued to OPG by the Fair Hydro Trust. Most of this debt will be funded through equity injections by the Province into OPG. OPG's Treasury team has been working with Carlos Yep of the OFA on this agreement. I understand that Alena has previously seen a term sheet setting out the main terms of the agreement.

Let us know if you have any questions or comments on the draft.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 **|** E: leslie.wong@opg.com

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Subordinated Debt Pricing Protocol Agreement

THIS AGREEMENT is made as of •, 2017

BETWEEN

ONTARIO POWER GENERATION INC., a corporation incorporated under the laws of Ontario ("**OPG**"), solely in its capacity as financial services manager (the "**FSM**") of the Fair Hydro Trust (the "**Issuer**"), a trust existing under the laws of the Province of Ontario

- and -

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, (the "**Province**") as represented by the Minister of Energy

WHEREAS the Issuer and BNY Trust Company of Canada entered into that certain trust indenture (as supplemented from time to time, the "**Trust Indenture**") dated ■, 2017;

AND WHEREAS pursuant to the Trust Indenture the Issuer may issue, from time to time, certain Subordinated Notes and Junior Subordinated Notes;

AND WHEREAS the FSM and the Province have agreed to establish herein the procedures for establishing the interest rate applicable to each Series of Subordinated Notes and Junior Subordinated Notes where such Notes are to be issued only to OPG or its Affiliates;

NOW THEREFORE, in consideration of the premises and the covenants and agreements herein contained, the parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith terms used herein have the meanings ascribed in the Trust Indenture. In addition, the following terms shall have the following meanings:

(a) "**Applicable Spread**" has the meaning ascribed to such term in section 2.04(c);

(b) "**Base Rate**" has the meaning ascribed to such term in section 2.03(a) or (b), as applicable;

(c) "**Junior Subordinated Term Note**" means a Junior Subordinated Note that is not incurred pursuant to a Warehouse Facility Agreement;

(d) "**Junior Subordinated Warehouse Note**" means a Junior Subordinated Note that is incurred pursuant to a Warehouse Facility Agreement;

(e) "**Subordinated Term Note**" means a Subordinated Note that is not incurred pursuant to a Warehouse Facility Agreement; and

(f) "**Subordinated Warehouse Note**" means a Subordinated Note that is incurred pursuant to a Warehouse Facility Agreement.

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof.

ARTICLE 2 - INTEREST RATE PROTOCOLS

2.01 **Interest Rate Protocols**

The interest rate applicable to each Series of Subordinated Notes and Junior Subordinated Notes that are issued only to OPG or its Affiliates shall be established by the FSM in accordance with the procedures set out herein.

2.02 **Composite Interest Rate**

For any Series of Subordinated Notes or Junior Subordinated Notes that are issued only to OPG or its Affiliates, the interest rate shall be the aggregate of the applicable Base Rate and the Applicable Spread.

2.03 **Base Rate**

(a) For Subordinated Term Notes and Junior Subordinated Term Notes, the "Base Rate" shall be an annual rate of interest comprised of the applicable yield for the Benchmark Government of Canada bonds listed at the time and with the same term as that of the Series of Subordinated Notes or Series of Junior Subordinated Notes, as applicable. In the event that there are no such Benchmark Government of Canada bonds listed at the time of issuance, the applicable Base Rate of interest shall be established by interpolating on a straight line basis the terms of the two Benchmark Government of Canada bonds that are closest to the term of the applicable Series of Subordinated Term Notes or Series of Junior Subordinated Term Notes, as applicable, one being for a longer term and the other being for a shorter term; and

(b) For Subordinated Warehouse Notes and Junior Subordinated Warehouse Notes, the "Base Rate" shall be an annual interest rate equal to the all-in funding costs under the related Warehouse Obligations, expressed as a rate per annum, as

determined by the FSM acting reasonably, or at any time when there are no Warehouse Obligations outstanding the "Base Rate" shall be the average of the posted "prime rate of interest" published by the five largest Canadian banks at such time.

2.04 **Applicable Spread**

(a) Prior to the issuance of any new Subordinated Term Notes or Junior Subordinated Term Notes, the FSM will solicit from at least five investment dealers in Canada, a survey of indicative spreads over the applicable Base Rate (collectively, the "**Indicative Spreads**" and each an "**Indicative Spread**") applicable to capital market debt issuances having features comparable to each of the proposed Series of Subordinated Term Notes and Junior Subordinated Term Notes, having regard to the expected credit rating and tenor. Such solicitation of Indicative Spreads shall occur on the pricing date of the applicable Series of Subordinated Term Notes and Junior Subordinated Term Notes and may, at the FSM's option, also occur on other dates selected by the FSM provided that no such date is more than **one week** prior to the pricing date. The Applicable Spread for Subordinated Term Notes or Junior Subordinated Term Notes, as applicable, will be the simple average of the respective Indicative Spreads after excluding the highest and the lowest Indicative Spread for each day (not more than one week prior to the pricing date) that Indicative Spreads were provided;

(b) For Subordinated Warehouse Notes the FSM will solicit from time to time, but no less frequently than on an annual basis, from at least five investment dealers in Canada, a survey of Indicative Spreads over the applicable Base Rate applicable to commercial paper issuances having features comparable to the Subordinated Warehouse Notes including credit rating and tenor. The Applicable Spread for Subordinated Warehouse Notes will be the simple average of the respective Indicative Spreads, after excluding the highest and the lowest Indicative Spread;

(c) The Applicable Spread for Junior Subordinated Warehouse Notes shall be equal to the Applicable Spread derived from Section 2.04(b) for the Subordinated Warehouse Notes, provided the Junior Subordinated Term Notes are rated Investment Grade. If the Junior Subordinated Term Notes are rated below Investment Grade, the Applicable Spread for the Junior Subordinated Warehouse Notes will equal to the Applicable Spread for the Subordinated Warehouse Notes plus 100 bps.

For the purposes of this section "Investment Grade" means an "approved rating" from at least one "designated rating organization" (as such terms are defined for securities law purposes).

2.05 **Credit Ratings**

In order to facilitate the survey of Indicative Spreads, the FSM will solicit from time to time, from an approved rating organization (as such term is defined for securities laws

purposes), a credit rating, which may include a shadow rating, for the Subordinated Notes and the Junior Subordinated Notes.

ARTICLE 3 - GENERAL

3.01 Benefit of the Agreement

This Agreement will enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

3.02 Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and cancel and supersede any prior understandings and agreements between the parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

3.03 Assignment, Amendments and Waivers

No assignment or amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

3.04 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

3.05 Governing Law

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have exclusive jurisdiction to entertain any action arising under this Agreement. The parties hereby attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

3.06 Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

3.07 **Electronic Execution**

Any party may deliver an executed signature page to this Agreement by electronic transmission and such delivery will be as effective as delivery of a manually executed copy of the Agreement by such party.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF the parties have executed this Agreement.

ONTARIO POWER GENERATION INC.
solely in its capacity as Financial Services Manager of the Fair Hydro Trust

Per: _____
Ken Hartwick
Chief Financial Officer and Senior Vice President

Per: _____
John Lee
Vice President- Treasurer

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, as represented by the Minister of Energy

Per: _____
[Name]
[Position]

From: Gadi Mayman
To: Scott Nelms (ENERGY)
Cc: Ronald Kwan
Subject: Fw: GA Financing Response to Minister"s Request
Date: Tuesday, April 18, 2017 10:56:51 AM
Attachments: GA Financing Response to Minister"s request.pdf

Hi Scott, do you have a copy of the final version of Energy's letter to OPG?

Thanks,

Gadi

From: LORD Bernard -BOARDCHAIR
Sent: Tuesday, April 18, 2017 9:10 AM
To: 'glenn.thibeault@ontario.ca'
Cc: Charles Sousa (MOF); Scott Thompson (CAB); Serge Imbrogno (ENERGY); Gadi Mayman; LYASH Jeffrey -PRESIDENT; HARTWICK Ken -FINANCE; GINTHER Chris -CAO; KING Catriona -OFFCORPSEC; MATHIAS Carlton -OFFCORPSEC
Subject: GA Financing Response to Minister's Request

Hello,
Please see the attached letter from Bernard Lord, Board Chair Ontario Power Generation.
Thanks,

Rosemarie
Rosemarie Hoilett
Executive Assistant - Jeff Lyash President & CEO | Bernard Lord Board Chair
Ontario Power Generation
700 University Ave | H19-A24
Toronto ON M5G 1X6
416-592-2114 | rosemarie.hoilett@opg.com

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ONTARIO POWER GENERATION

Bernard Lord
Board Chair

700 University Ave, Toronto, ON M5G 1X6

Tel: 416-592-2115
bernard.lord@opg.com

April 18, 2017

The Honourable Glenn Thibeault
Minister of Energy
4th Floor, Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1

Dear Minister Thibeault,

I am writing in response to your letter dated April 13, 2017, in which you requested OPG work with the Ministry of Energy, the IESO and the OEB and their respective advisors to consider and propose a financing plan to refinance the Global Adjustment in a manner that achieves the Province's price objectives, as outlined in the Premier's March 2, 2017 announcement.

As requested, OPG is working with the Ministry of Energy, the IESO and the OEB and their respective advisors to develop a plan that will incorporate the matters you identified, including potential structures and mechanisms that permit viable financing, sources of financing and required changes to legislation, regulations and OPG's constating documents to facilitate the implementation of the financing plan in a commercial manner. The plan will also include assurances that implementation of the financing plan will have no adverse impacts on OPG, its operating assets or the manner in which they are regulated. I note the Province's commitment to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing. This will be an important consideration for the OPG Board.

OPG has engaged financial and legal advisors with significant capital markets expertise, including experience in the United States where a number of state-owned utilities have put in place highly rated financing for costs that are to be recovered over a long period of time. Work on OPG's financing plan is being guided by these advisors and precedents.

The Board will provide you with our recommendation and plan in the timeframe requested.

Sincerely,

Bernard Lord
Board Chair

cc: The Honourable Charles Sousa, Minister of Finance
Scott Thompson, Deputy Minister of Finance
Serge Imbrogno, Deputy Minister of Energy
Gadi Mayman, CEO, Ontario Financing Authority
Jeff Lyash, President and CEO, Ontario Power Generation

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Anna Strathy; Gavin He
Subject:	Fw: GA Financing Response to Minister"s Request
Date:	Tuesday, April 18, 2017 9:36:09 AM
Attachments:	GA Financing Response to Minister"s request.pdf

The OFA isn't mentioned in the body of the letter, but given that I'm cc'd with a pretty esteemed list, I'll take that as sufficient.

From: LORD Bernard -BOARDCHAIR <bernard.lord@opg.com>
Sent: Tuesday, April 18, 2017 9:10 AM
To: 'glenn.thibeault@ontario.ca'
Cc: Charles Sousa (MOF); Scott Thompson (CAB); Serge Imbrogno (ENERGY); Gadi Mayman; LYASH Jeffrey -PRESIDENT; HARTWICK Ken -FINANCE; GINTHER Chris -CAO; KING Catriona -OFFCORPSEC; MATHIAS Carlton -OFFCORPSEC
Subject: GA Financing Response to Minister's Request

Hello,

Please see the attached letter from Bernard Lord, Board Chair Ontario Power Generation.

Thanks,

Rosemarie

Rosemarie Hoilett
Executive Assistant - Jeff Lyash President & CEO | Bernard Lord Board Chair
Ontario Power Generation
700 University Ave | H19-A24
Toronto ON M5G 1X6
416-592-2114 | rosemarie.hoilett@opg.com

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ONTARIO POWER GENERATION

Bernard Lord
Board Chair

700 University Ave, Toronto, ON M5G 1X6

Tel: 416-592-2115
bernard.lord@opg.com

April 18, 2017

The Honourable Glenn Thibeault
Minister of Energy
4th Floor, Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1

Dear Minister Thibeault,

I am writing in response to your letter dated April 13, 2017, in which you requested OPG work with the Ministry of Energy, the IESO and the OEB and their respective advisors to consider and propose a financing plan to refinance the Global Adjustment in a manner that achieves the Province's price objectives, as outlined in the Premier's March 2, 2017 announcement.

As requested, OPG is working with the Ministry of Energy, the IESO and the OEB and their respective advisors to develop a plan that will incorporate the matters you identified, including potential structures and mechanisms that permit viable financing, sources of financing and required changes to legislation, regulations and OPG's constating documents to facilitate the implementation of the financing plan in a commercial manner. The plan will also include assurances that implementation of the financing plan will have no adverse impacts on OPG, its operating assets or the manner in which they are regulated. I note the Province's commitment to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing. This will be an important consideration for the OPG Board.

OPG has engaged financial and legal advisors with significant capital markets expertise, including experience in the United States where a number of state-owned utilities have put in place highly rated financing for costs that are to be recovered over a long period of time. Work on OPG's financing plan is being guided by these advisors and precedents.

The Board will provide you with our recommendation and plan in the timeframe requested.

Sincerely,

Bernard Lord
Board Chair

cc: The Honourable Charles Sousa, Minister of Finance
Scott Thompson, Deputy Minister of Finance
Serge Imbrogno, Deputy Minister of Energy
Gadi Mayman, CEO, Ontario Financing Authority
Jeff Lyash, President and CEO, Ontario Power Generation

From: Gadi Mayman
To: Scott Nelms (ENERGY)
Cc: Ronald Kwan
Subject: Fw: GA Financing Response to Minister"s Request
Date: Tuesday, April 18, 2017 10:56:51 AM
Attachments: GA Financing Response to Minister"s request.pdf

Hi Scott, do you have a copy of the final version of Energy's letter to OPG?

Thanks,

Gadi

From: LORD Bernard -BOARDCHAIR
Sent: Tuesday, April 18, 2017 9:10 AM
To: 'glenn.thibeault@ontario.ca'
Cc: Charles Sousa (MOF); Scott Thompson (CAB); Serge Imbrogno (ENERGY); Gadi Mayman; LYASH Jeffrey -PRESIDENT; HARTWICK Ken -FINANCE; GINTHER Chris -CAO; KING Catriona -OFFCORPSEC; MATHIAS Carlton -OFFCORPSEC
Subject: GA Financing Response to Minister's Request

Hello,
Please see the attached letter from Bernard Lord, Board Chair Ontario Power Generation.
Thanks,

Rosemarie
Rosemarie Hoilett
Executive Assistant - Jeff Lyash President & CEO | Bernard Lord Board Chair
Ontario Power Generation
700 University Ave | H19-A24
Toronto ON M5G 1X6
416-592-2114 | rosemarie.hoilett@opg.com

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ONTARIO POWER GENERATION

Bernard Lord
Board Chair

700 University Ave, Toronto, ON M5G 1X6

Tel: 416-592-2115
bernard.lord@opg.com

April 18, 2017

The Honourable Glenn Thibeault
Minister of Energy
4th Floor, Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1

Dear Minister Thibeault,

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As requested, OPG is working with the Ministry of Energy, the IESO and the OEB and their respective advisors to develop a plan that will incorporate the matters you identified, including potential structures and mechanisms that permit viable financing, sources of financing and required changes to legislation, regulations and OPG's constating documents to facilitate the implementation of the financing plan in a commercial manner. The plan will also include assurances that implementation of the financing plan will have no adverse impacts on OPG, its operating assets or the manner in which they are regulated. I note the Province's commitment to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing. This will be an important consideration for the OPG Board.

OPG has engaged financial and legal advisors with significant capital markets expertise, including experience in the United States where a number of state-owned utilities have put in place highly rated financing for costs that are to be recovered over a long period of time. Work on OPG's financing plan is being guided by these advisors and precedents.

The Board will provide you with our recommendation and plan in the timeframe requested.

Sincerely,

Bernard Lord
Board Chair

cc: The Honourable Charles Sousa, Minister of Finance
Scott Thompson, Deputy Minister of Finance
Serge Imbrogno, Deputy Minister of Energy
Gadi Mayman, CEO, Ontario Financing Authority
Jeff Lyash, President and CEO, Ontario Power Generation

From:	Gadi Mayman
To:	Scott Thompson (CAB); Serge Imbrogno (ENERGY)
Cc:	Mike Manning
Subject:	Fw: Investor Package - Fair Hydro Trust
Date:	Wednesday, April 18, 2018 10:09:33 PM
Attachments:	Fair Hydro - Series 2018-2 Senior Notes TS.PDF FHT Investor Presentation - April 2018.pdf Fair Hydro Trust - Confidential Shelf Offering Memorandum.pdf

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FYI.

OPG will be issuing the next tranche of the FHT senior debt tomorrow. Target size is $300-400 million.

OPG contacted Moody's to find out whether their placement of our debt on negative outlook would affect the FHT rating. OPG was told that structured finance ratings don't have outlooks, they just have a rating, so even though Moody's has directly tied the FHT rating to ours (and included it in their analysis of our debt when they put us on negative outlook yesterday - it was a small part, so far, and not the reason for the outlook change) there is no immediate ratings impact on the FHT.

Gadi

From: Martin, Kevin E <kevin.e.martin@rbccm.com>
Sent: Wednesday, April 18, 2018 2:10 PM
To: Elizabeth Wallace; James Devine; Mike Manning; Carlos Yep; Gadi Mayman
Cc: Caridia, Alex; Vijay, Shaaj; Dorri, Sam
Subject: FW: Investor Package - Fair Hydro Trust

20-year min $300mm, small room to grow.

To launch and price tomorrow.

From: Robertson, Sherry
Sent: April 18, 18 2:06 PM
To: +DS-GM-Bond Sales Desk
Subject: Investor Package - Fair Hydro Trust

THE FOLLOWING HAS BEEN FORWARDED TO INVESTORS

Base Offering Memorandum
Investor Presentation
Term Sheet

Sherry Robertson, MBA | Vice President | Debt Syndication | RBC Capital Markets | (416) 842-7758 |
2nd Floor, North Tower, Royal Bank Plaza | 200 Bay Street, Toronto, Ontario M5J 2W7
sherry.robertson@rbccm.com

_____
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This indicative term sheet accompanies, is incorporated by reference in and forms part of the confidential shelf offering memorandum (the "confidential shelf offering memorandum") dated January 22, 2018 of Fair Hydro Trust (the "Issuer") and is subject to all of the restrictions, conditions and limitations set out in the confidential shelf offering memorandum. This term sheet and the confidential shelf offering memorandum constitute an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. The Issuer is not obligated to accept an offer to purchase the securities described herein.

The summary below describes the principal terms of the Series 2018-2 Senior Notes (as defined below). Certain of the terms summarized below are subject to important limitations and exceptions. The following is not intended to be complete. Prospective investors should review the "Capital Markets Platform" and "Description of Senior Notes" sections of the confidential shelf offering memorandum which contain a more detailed description of certain terms of the Series 2018-2 Senior Notes and the trust indenture (the "Master Trust Indenture") between the Issuer and BNY Trust Company of Canada, acting as trustee, dated December 21, 2017 (and to which the Series 2018-2 Senior Notes will be subject), as supplemented by the term senior series 2018-2 supplemental indenture to the Master Trust Indenture (the "Series 2018-2 Senior Supplemental Indenture") pursuant to which the Series 2018-2 Senior Notes will be issued (together with the Master Trust Indenture, the "Indenture"). In the event of any inconsistency between this indicative term sheet and the confidential shelf offering memorandum, the terms of this indicative term sheet apply. Certain capitalized terms used and not otherwise defined in the summary below have the meanings given thereto in the confidential shelf offering memorandum.

New Issue by Way of Private Placement *April 18, 2018*

FAIR HYDRO TRUST

•% SENIOR NOTES DUE MAY 15, 2038, SERIES 2018-2

Indicative Term Sheet

Issuer:	Fair Hydro Trust, a special purpose trust established under the laws of the Province of Ontario.
Issue:	•% Senior Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Senior Notes**").
Expected Credit Ratings:	DBRS: AAA(sf) Moody's: Aa2(sf)
Principal Amount:	Minimum $300,000,000[(1)]
Term:	20 years
Launch Date:	April •, 2018
Pricing Date:	April •, 2018
Settlement Date:	April •, 2018 (T+3)
Interest Rate:	•% per annum (the "**Series 2018-2 Interest Rate**")
Issue Spread:	+• bps versus Government of Canada curve interpolated between CAN 5% due June 1, 2037 and CAN 4% due June 1, 2041 +• bps (including a • bps curve adjustment and • bps delay adjustment), versus the CAN 5% due June 1, 2037 (priced at $•to yield •%)

(1) The Issuer may offer and sell Series 2018-2 Senior Notes having a principal amount greater than the amount shown above. In that event, the Principal Accumulation Amounts, the principal amounts of the Series 2018-2 Subordinated Notes and the Series 2018-2 Junior Subordinated Notes and the use of proceeds amount will be increased proportionately.

Issue Yield:	•%
Issue Price:	$• per $1,000 principal amount of Series 2018-2 Senior Notes.
Agents Commission:	$5.50 per $1,000 principal amount of Series 2018-2 Senior Notes sold (payable from existing cash resources of the Issuer)
Interest Payment Dates:	The Interest Payment Dates for the Series 2018-2 Senior Notes are as follows: (i) prior to the occurrence of an Amortization Event, interest on the Series 2018-2 Senior Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Senior Notes on each Payment Date thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Senior Notes will include accrued and unpaid interest for the period from, and including, the closing date of this Offering (the "**Series 2018-2 Senior Notes Offering**") to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event, the first interest payment will be in an amount equal to $• per $1,000 principal amount of Series 2018-2 Senior Notes. If an Interest Payment Date is not a business day in Toronto, then the payment will be made on the next business day with no adjustment. For any period less than a full semi-annual interest period, interest will be calculated on an actual/365 basis. The record date for each Interest Payment Date is the last day of the calendar month preceding such Interest Payment Date. "**Amortization Event**" means either an Acceleration Event has occurred with respect to the Series 2018-2 Senior Notes, or the outstanding principal amount of the Series 2018-2 Senior Notes has not been paid in full on the Expected Principal Payment Date (as defined below). An "**Acceleration Event**" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the Master Trust Indenture, or (ii) the outstanding principal amount of the Series 2018-2 Senior Notes and all interest thereon is declared due and payable in accordance with the Indenture as a result of the occurrence of a Series 2018-2 Event of Default (as defined below).
Principal Payment Dates and Principal Payment Amount:	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Senior Notes shall be due and payable on May 15, 2038 (such Payment Date, the "**Expected Principal Payment Date**"). Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date in respect of the Series 2018-2 Senior Notes and the then outstanding principal amount of the Series 2018-2 Senior Notes shall be due and payable on each such Payment Date.
Principal Payment Default Date:	May 15, 2040

Principal Accumulation Amounts: Subject to the occurrence of an Amortization Event, the Series 2018-2 Senior Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix A hereto.

Following the occurrence of an Amortization Event, the Principal Accumulation Amount with respect to each Payment Date thereafter shall be an amount equal to the outstanding principal amount of the Series 2018-2 Senior Notes.

Subordination: Concurrent with the issuance of the Series 2018-2 Senior Notes, OPG will subscribe for (i) $• of subordinated notes due May 15, 2038 , Series 2018-2 (the "**Series 2018-2 Subordinated Notes**"); and (ii) $• of junior subordinated notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Junior Subordinated Notes**"). The interest rates on the Series 2018-2 Subordinated Notes and the Series 2018-2 Junior Subordinated Notes will be fixed on the Settlement Date. The Series 2018-2 Subordinated Notes shall be subordinated to the Series 2018-2 Senior Notes (and all other Senior Funding Obligations), and the Series 2018-2 Junior Subordinated Notes shall be subordinated to the Series 2018-2 Senior Notes (and all other Senior Funding Obligations) and the Series 2018-2 Subordinated Notes (and all other Subordinated Funding Obligations), in each case in the manner described in the confidential shelf offering memorandum under the heading "*Capital Markets Platform – Subordination Provisions*".

Optional Redemption: The Series 2018-2 Senior Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date, the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption.

"**Par Call Date**" means November 15, 2037.

"**Series 2018-2 Canada Yield Price**" means a price equal to the price of the Series 2018-2 Senior Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus •% per annum.

"**Government of Canada Yield**" on any date means, in respect of the Series 2018-2 Senior Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

Limited Recourse:	The Series 2018-2 Senior 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 Series 2018-2 Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Series 2018-2 Senior 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, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Series 2018-2 Senior Notes following the occurrence of certain events. See the confidential shelf offering memorandum under *"Change of Law Protection Agreement"*. The Series 2018-2 Senior Notes will be limited recourse obligations, secured only by the collateral described in the confidential shelf offering memorandum. See the confidential shelf offering memorandum under the heading *"Capital Markets Platform — Acceleration and Remedies — Limited Recourse"* and *"Risk Factors"*.
Use of Proceeds:	The proceeds from the Series 2018-2 Senior Notes Offering will be used to refinance $• of indebtedness of the Issuer previously incurred to purchase an Investment Interest from the IESO pursuant to the Master Transfer and Servicing Agreement. See *"Consolidated Capitalization"*. Expenses of the Series 2018-2 Senior Notes Offering are to be paid from existing cash resources.
Ranking:	Subject to the applicable payment waterfalls in the Master Trust Indenture, the Series 2018-2 Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other Senior Funding Obligations issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference.
Change of Law Protection Agreement:	The Series 2018-2 Senior Notes are Approved Obligations under the Change of Law Protection Agreement.
Series 2018-2 Events of Default:	In addition to the Events of Default contained in the Master Trust Indenture and described in the confidential shelf offering memorandum, each of the following events constitute a "**Series 2018-2 Events of Default**": (a) failure to pay interest on the Series 2018-2 Senior Notes when due, subject to a 5-day cure period; (b) failure to pay principal on the Principal Payment Default Date for the Series 2018-2 Senior Notes; (c) breach of representation or warranty in the Series 2018-2 Senior Supplemental Indenture applicable to the Series 2018-2 Senior Notes, subject to materiality requirements and a 60-day cure period; (d) breach of a covenant in the Series 2018-2 Senior Supplemental Indenture, subject to materiality requirements and a 60-day cure period; and (e) an event occurs and as a result thereof, all or any portion of the principal amount of any other Senior Funding Obligation has been accelerated.

Acceleration upon a Series 2018-2 Event of Default:	Upon the occurrence of a Series 2018-2 Event of Default, the holders of Series 2018-2 Senior Notes may, by Ordinary Resolution, declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Senior Notes to be immediately due and payable, whether or not all Issuer Funding Obligations have been accelerated pursuant to the Master Trust Indenture. For a discussion of the consequences of such declaration, see the confidential shelf offering memorandum under the headings "*Capital Markets Platform – Acceleration and Remedies*" and "*Risk Factors – If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected*".
Rating Covenant:	As long as the Series 2018-2 Senior Notes remain outstanding, the Issuer will use commercially reasonable efforts to maintain a credit rating of the Series 2018-2 Senior Notes from DBRS, Moody's or any other nationally recognized statistical rating organization or designated rating organization acceptable to the Issuer, acting reasonably.
Rating Agency Condition:	"**Rating Agency Condition**" means with respect to any action in respect of the Series 2018-2 Senior Notes subject to such condition, the Issuer shall deliver written notice of the proposed action to such Rating Agency or Rating Agencies at least 10 business days prior to the effective date of such action (or if 10 business days prior notice is impractical, such advance notice as is practicable) and (i) the Rating Agencies shall not have informed the Issuer prior to the effective date of such action that such action will result in the reduction or withdrawal of the rating in effect with respect to the Series 2018-2 Senior Notes immediately before the taking of such action, or (ii) in the case of DBRS, or any successor thereto, DBRS shall have informed the Issuer in writing prior to the effective date of such action that such action will not result in the reduction or withdrawal of the rating in effect with respect to the Series 2018-2 Senior Notes immediately before the taking of such action.
Additional Security:	No Series Account will be established for the Series 2018-2 Senior Notes. No credit enhancement agreement or liquidity agreement has been entered into for the benefit of the Series 2018-2 Noteholders.
Currency:	Canadian dollars.
Minimum Subscription:	Minimum principal amount of $150,000.
Form and Denomination:	Book entry only through participants in CDS. The Series 2018-2 Senior Notes will be issued in multiples of $1,000.
CUSIP/ISIN:	CUSIP – 30324RAB2 ISIN – CA30324RAB20
Agents:	CIBC World Markets Inc. (joint lead and joint bookrunner), RBC Dominion Securities Inc. (joint lead and joint bookrunner), Goldman Sachs Canada Inc. (joint lead), BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Morgan Stanley Canada Limited, HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Desjardins Securities Inc. and Casgrain & Company Limited.

Any statement contained in the confidential shelf offering memorandum or in any document incorporated or deemed to be incorporated by reference in the confidential shelf offering memorandum shall be deemed to be modified or superseded, to the extent that a statement contained herein or in any other subsequent document which is or is deemed to be incorporated by reference in the confidential shelf offering memorandum, modifies or supersedes such

prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of the confidential shelf offering memorandum, except as so modified or superseded.

CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary or affiliate of a financial institution which is a lender to the Issuer and to which the Issuer is currently indebted under the terms of the Warehouse Facilities (as described herein). The Issuer may use a portion of the net proceeds of the Series 2018-2 Senior Notes Offering to repay certain indebtedness under the Warehouse Facilities. Consequently, the Issuer may be considered to be a "connected issuer" of certain of the Agents for the purposes of securities regulations in certain provinces. See "Relationship between the Issuer and the Agents".

CAPITALIZATION

On December 21, 2017, the Issuer entered into the following supplemental indentures under the Master Trust Indenture for the provision of an aggregate of approximately $1.56 billion in short term indebtedness (collectively, the "**Warehouse Facilities**"), of which a total of $658,607,000 is drawn as of the date hereof:

(i) a warehouse senior series 2017-1 supplemental indenture with, among others, Royal Bank of Canada, as administrative agent for certain commercial paper conduit purchasers and financial institutions named therein, for the provision of an aggregate maximum principal amount of $800,000,000 floating rate variable funding Senior Notes, Series 2017-1 ("**Senior Notes, Series 2017-1**"), of which $335,890,000 is drawn. See "*Relationship between the Issuer and the Agents*";

(ii) a warehouse subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $611,764,705.88 floating rate variable funding Subordinated Notes, Series 2017-1 ("**Subordinated Notes, Series 2017-1**"), of which $256,857,000 is drawn; and

(iii) a warehouse junior subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $156,862,745.10 floating rate variable funding Junior Subordinated Notes, Series 2017-1 ("**Junior Subordinated Notes, Series 2017-1**"), of which $65,860,000 is drawn.

Draws under the Warehouse Facilities are used from time to time to acquire Investment Interests from the IESO. It is anticipated that the Warehouse Facilities will be used to acquire a $149,000,000 Investment Interest from the IESO on April 20, 2018.

Concurrently with the issuance of the Series 2018-2 Senior Notes, OPG will also subscribe for the Series 2018-2 Subordinated Notes and the Series 2018-2 Junior Subordinated Notes.

The following table outlines the outstanding amounts under various series of long-term debt of the Issuer as of the date hereof.

As at March 31, 2018 after giving effect to the Series 2018-2 Senior Notes Offering

	Senior Notes	Subordinated Notes	Junior Subordinated Notes
Series 2018-1	$500,000,000	$382,353,000	$98,040,000
Series 2018-2	$•	$•	$•
Total	$•	$•	$•

The following table summarizes the capitalization of the Issuer as at the dates indicated before and after completion of the Series 2018-2 Senior Notes Offering.

	As at March 31, 2018 before giving effect to the Series 2018-2 Senior Notes Offering	As at March 31, 2018 after giving effect to the Series 2018-2 Senior Notes Offering
Cash and Cash Equivalents……..	$13,032,277.89	$•
Debt		
Long-term debt, including current portion…….	980,393,000[2]	$• [4]
Short-term debt……...	$658,607,000 [1]	$• [3]
Bank indebtedness……..	Nil	Nil
Total Debt……	$1,639,000,000 [1]	$•
Equity		
Equity……	$10,000.01	$10,000.01
Total Capitalization……	$1,652,042,277.90 [1]	$•

(1) Represents Notes outstanding under the Warehouse Facilities.

(2) Representing Notes outstanding as of March 31, 2018, as follows: (i) $500,000,000, or 51% of all long-term debt, represented by Senior Notes; (ii) $382,353,000, or 39% of all long-term debt, represented by the Subordinated Notes held by OPG; and (iii) $98,040,000, or 10% of all long-term-debt, represented by Junior Subordinated Notes, held by OPG.

(3) Representing Notes outstanding as of March 31, 2018, adjusted for the effect of acquiring an additional Investment Interest of $149,000,000 under the Warehouse Facilities from the IESO expected on April 20, 2018. The amount outstanding has been further adjusted for the Series 2018-2 Notes Offering that is expected to close on or about April • , 2018, which will be used to repay the Warehouse Facilities as follows: (i) $•, or 51% of all short-term debt, represented by Senior Notes, Series 2018-2; (ii) $•, or 39% of all short-term debt, represented by Subordinated Notes, Series 2018-2 held by OPG; and (iii) $•, or 10% of all short term debt, represented by Junior Subordinated Notes, Series 2018-2 held by OPG.

(4) Representing Notes outstanding as of March 31, 2018, adjusted for the Series 2018-2 Notes Offering expected to close April •, 2018, as follows: (i) $•, or •% of all long-term debt, represented by the Series 2018-2 Senior Notes; (ii) $•, or •% of all long-term debt, represented by the Series 2018-2 Subordinated Notes held by OPG; and (iii) $•, or •% of all long-term-debt, represented by the Series 2018-2 Junior Subordinated Notes held by OPG.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP and Osler, Hoskin & Harcourt LLP, the following summary describes the principal Canadian federal income tax considerations generally applicable under the Income Tax Act (Canada) (the "**Tax Act**") to a holder who acquires Series 2018-2 Senior Notes as beneficial owner pursuant to the Series 2018-2 Senior Notes Offering and who, for purposes of the Tax Act and at all relevant times, deals at arm's length and is not affiliated with the Issuer, and holds Series 2018-2 Senior Notes as capital property (a "**Holder**"). Generally, the Series 2018-2 Senior Notes will be capital property to a Holder provided that the Holder does not acquire or hold the Series 2018-2 Senior Notes in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their Series 2018-2 Senior Notes as capital property may, in certain circumstances, be entitled to treat their Series 2018-2 Senior Notes and any other "Canadian security" (as defined in the Tax Act) owned by them in the taxation year of the election and all subsequent taxation years as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such holders are advised to consult their own tax advisors to determine whether such an election is available and desirable in their particular circumstances.

This summary is not applicable to a holder: (i) that is a "financial institution" (as defined in the Tax Act for purposes of the "mark to market property" and "specified debt obligation" rules); (ii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iii) that reports its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian dollars; or (iv) that has entered into or will enter into a "derivative forward agreement" as defined in the Tax Act in respect of the Series 2018-2 Senior Notes. Any such holders should consult their own tax advisors with respect to an investment in the Series 2018-2 Senior Notes. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money to acquire Series 2018-2 Senior Notes.

This summary is based upon the facts set out in the confidential shelf offering memorandum, the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and counsel's understanding of the current published administrative policies and practices of the Canada Revenue Agency. There can be no assurance that any Tax Proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policies and practices, whether by legislative, administrative or judicial action nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Series 2018-2 Senior Notes. Moreover, the income and other tax consequences of acquiring, holding or disposing of the Series 2018-2 Senior Notes will vary depending on the Holder's particular circumstances, including the province or territory, or provinces or territories, in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any Holder are made. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in the Series 2018-2 Senior Notes based on their particular circumstances. This summary does not address any tax considerations applicable to persons other than Holders and such persons should consult their own tax advisors regarding the consequences of acquiring, holding and disposing of Series 2018-2 Senior Notes under the Tax Act and any jurisdiction in which they may be subject to tax.

Foreign Exchange

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Series 2018-2 Senior Notes must be expressed in Canadian dollars, including any interest, adjusted cost base and proceeds of disposition. For purposes of the Tax Act, amounts denominated in a currency other than the Canadian dollar generally must be converted into Canadian dollars in accordance with the Tax Act on the date such amounts first arose. A Holder may realize a capital gain or a capital loss on the disposition or deemed disposition of a Series 2018-2 Senior Note by virtue of fluctuations in the value of the U.S. dollar relative to the Canadian dollar. The amount of interest or other amounts required to be included in computing the Holder's income for a taxation year will also be affected by fluctuations in the U.S. dollar relative to the Canadian dollar.

Interest on Series 2018-2 Senior Notes

A Holder that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the Series 2018-2 Senior Notes that accrues or is deemed to accrue to such Holder to the end of the particular taxation year or that becomes receivable or is received by the Holder before the end of that taxation year, including on a redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder, including an individual, will be required to include in computing its income for a taxation year all interest on the Series 2018-2 Senior Notes that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a redemption, purchase for cancellation, or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year. A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including amounts in respect of interest.

Any premium paid by the Issuer to a Holder on the redemption of a Series 2018-2 Senior Note or a purchase for cancellation of a Series 2018-2 Senior Note (other than in the open market in the manner any such obligation would normally be purchased in the open market by any member of the public), will generally be deemed to be interest received at the time by the Holder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of the redemption of or purchase for cancellation of, the interest that, would have been paid or payable by the Issuer on the Series 2018-2 Senior Note for a taxation year ending after the redemption or purchase for cancellation, and to the extent such premium was not otherwise included in computing the Holder's income for that taxation year or a previous taxation year.

Where a Holder is required to include in income interest on a Series 2018-2 Senior Note that accrued before such Series 2018-2 Senior Note was acquired by the Holder, the Holder will be entitled to a deduction in computing income of an equivalent amount. The adjusted cost base to the Holder of the Series 2018-2 Senior Note will be reduced by the amount which is so deductible.

If a Series 2018-2 Senior Note is purchased by a Holder at a discount from its face value, the Holder may be required to include an amount equal to such discount in computing income, either in accordance with the deemed interest accrual rules contained in the Tax Act and Regulations or in the taxation year in which an amount in respect of the discount is received or receivable by the Holder. Holders should consult their own tax advisors in these circumstances as the treatment of the discount may vary with the facts and circumstances giving rise to the discount.

Disposition of Series 2018-2 Senior Notes

On a disposition or deemed disposition of a Series 2018-2 Senior Note (including a redemption, purchase for cancellation or repayment at maturity), a Holder will generally be required to include in income any premium deemed to be interest and the amount of interest accrued, or deemed to have accrued, on the Series 2018-2 Senior Note from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the Holder's income for the taxation year or a previous taxation year.

A disposition or deemed disposition by a Holder of a Series 2018-2 Senior Note will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any accrued interest or any amount deemed to be interest, exceed (or are exceeded by) the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition.

One half of any capital gain (a "**taxable capital gain**") generally must be included in the Holder's income for the taxation year of the disposition, and one half of any capital loss (an "**allowable capital loss**") realized in a taxation year must be deducted from taxable capital gains realized in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be deducted from net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to detailed rules contained in the Tax Act in this regard. A capital gain realized by an individual (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including amounts in respect of taxable capital gains.

Eligibility for Investment

The Series 2018-2 Senior Notes would, if acquired on the date hereof and if they (i) are issued as part of a single issue of debt of at least $25 million and (ii) have an investment grade rating with certain rating agencies prescribed under the Tax Act, be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), tax free savings account ("**TFSA**") and deferred profit sharing plan ("**DPSP**") (except for a trust governed by a DPSP to which the Issuer has made a contribution).

Even if the Series 2018-2 Senior Notes may be qualified investments for a trust governed by an RRSP, RRIF, RESP, RDSP or TFSA, if the Series 2018-2 Senior Notes are "prohibited investments" (as defined in section 207.01 of the Tax Act) for an RRSP, RRIF, RESP, RDSP or TFSA, then a holder of the TFSA or RDSP, a subscriber of the RESP or an annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Series 2018-2 Senior Notes would not be prohibited investments on the date hereof, provided (i) the holder of the TFSA or RDSP, the subscriber of the RESP or the annuitant of the RRSP or RRIF, as the case may be, deals at arm's length with the Issuer within the meaning of the Tax Act, and (ii) does not have a "significant interest" within the meaning of subsection 207.01(4) of the Tax Act in the Issuer. Investors intending to hold the Series 2018-2 Senior Notes in a TFSA, RRSP, RRIF, RESP or RDSP should consult their own advisors as to whether the Series 2018-2 Senior Notes would be a prohibited investment in their particular circumstances.

RELATIONSHIP BETWEEN THE ISSUER AND THE AGENTS

CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary or affiliate of a financial institution which is a lender to the Issuer and to which the Issuer is currently indebted under the terms of the Warehouse Facilities. The Issuer may use a portion of the net proceeds of the Series 2018-2 Senior Notes Offering to repay certain indebtedness under the Warehouse Facilities. Consequently, the Issuer may be considered to be a "connected issuer" of certain of the Agents under applicable Canadian securities legislation. As of the date of this Term Sheet, the Issuer is in compliance with the terms of its indebtedness under the Warehouse Facilities. Since the indebtedness under the Warehouse Facilities was incurred, the financial position of the Issuer has not materially changed. As of April •, 2018, the Issuer had approximately $• owing to such lenders under the Warehouse Facilities. CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. have each advised that the decision to act as Agents for the Series 2018-2 Senior Notes Offering was made independently of the lenders under the Warehouse Facilities and the lenders had no influence as to the determination of the terms of the distribution. None of CIBC World Markets Inc., RBC Dominion Securities Inc. and Goldman Sachs Canada Inc. will receive any benefit in connection with the Series 2018-2 Senior Notes Offering other than its respective portion of the Agents' commission payable by the Issuer.

LEGAL MATTERS

Certain Canadian legal matters in connection with the Series 2018-2 Senior Notes Offering will be passed upon by Torys LLP on behalf of the Issuer and by Osler, Hoskin & Harcourt LLP on behalf of the Agents.

APPENDIX A
PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	•
July 15, 2037	•
August 15, 2037	•
September 15, 2037	•
October 15, 2037	•
November 15, 2037	•
December 15, 2037	•
January 15, 2038	•
February 15, 2038	•
March 15, 2038	•
April 15, 2038	•
May 15, 2038	•

Fair Hydro Trust
Investor Presentation

April 18, 2018

Disclaimers

This presentation and its contents are being supplied for informational purposes only by Fair Hydro Trust (the "Issuer") and are not an offer to buy or sell or a solicitation of an offer to buy or sell any securities of the Issuer.

This presentation does not, and does not purport to, contain all information that may be material to an investment decision in respect of the Issuer's Notes. It is only a summary of certain information in respect of the Issuer. Prior to making an investment decision with respect to the Issuer's Notes, prospective investors should carefully review the Confidential Shelf Offering Memorandum, including the related Term Sheet, pursuant to which such Notes are offered (the Offering Memorandum). The information and opinions contained in this presentation are qualified in their entirety by reference to the Offering Memorandum. In particular, reference should be made to the risks of any investment in the Issuer's Notes offered and the statutory rights of rescission or rights to damages available to purchasers of such Notes described in the Offering Memorandum. No representation or warranty, express or implied, is given by or on behalf of the Issuer, the Agents or any other person as to the accuracy or completeness of the information or opinions contained in this presentation.

Some of the statements contained in this presentation, including those relating to the Issuer's expectations, forecasts, strategic and other statements, are forward-looking information within the meaning of securities laws. The forward-looking information contained in this presentation is presented for the purposes of assisting prospective purchasers in making an investment decision regarding the Notes and may not be appropriate for other circumstances. Reference should be made to the information under the headings "Caution Regarding Forward-Looking Information" and "Risk Factors" in the Offering Memorandum.

The information presented herein is only current as of the date on the cover of this presentation. Except as required by law, neither the Issuer nor Ontario Power Generation ("OPG") intends, or assumes any obligation, to revise or update any information in this presentation.

By accepting a copy of this presentation, each prospective purchaser agrees that all information contained herein, all documents delivered in connection herewith and all other information obtained by such prospective purchaser in relation to the Issuer or OPG (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 Issuer's Notes, and that the recipient will hold all of the Confidential Information in confidence and will not provide any of it to third parties other than persons retained to advise the recipient with respect to the purchase of the Issuer's Notes (so long as they advise such persons of the confidential nature of such Confidential Information), without the prior written consent of the Issuer and OPG.

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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 customers[1] 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
Legislation	• On June 1, 2017, the Ontario Legislature passed the *Ontario Fair Hydro Plan Act, 2017* (the "FHPA" or the "Act") to give effect to the FHP • The FHPA was enacted to ensure that clean energy costs and clean energy benefits associated with Ontario's clean energy initiatives 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 which is referred to as the Clean Energy Adjustment ("CEA"); the CEA will be determined by Ontario Power Generation ("OPG") in accordance with the Legislation in its role as Financial Services Manager ("FSM") under the Act • From July 1, 2017 to April 30, 2021 (the "Moratorium Period"), no payments in respect of CEA are expected to be collected; during the Moratorium Period and extending to July 31, 2021, 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 Legislation
Fair Hydro Trust Financing Program	• 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, the Trust is ring fenced from OPG's other creditors • The FHT term notes will be repaid through the CEA payments received from Specified Consumers • The inaugural FHT term debt offering was completed in February 2018

[1] Defined as Specified Consumers under the FHPA.

Summary of Outstanding Bonds

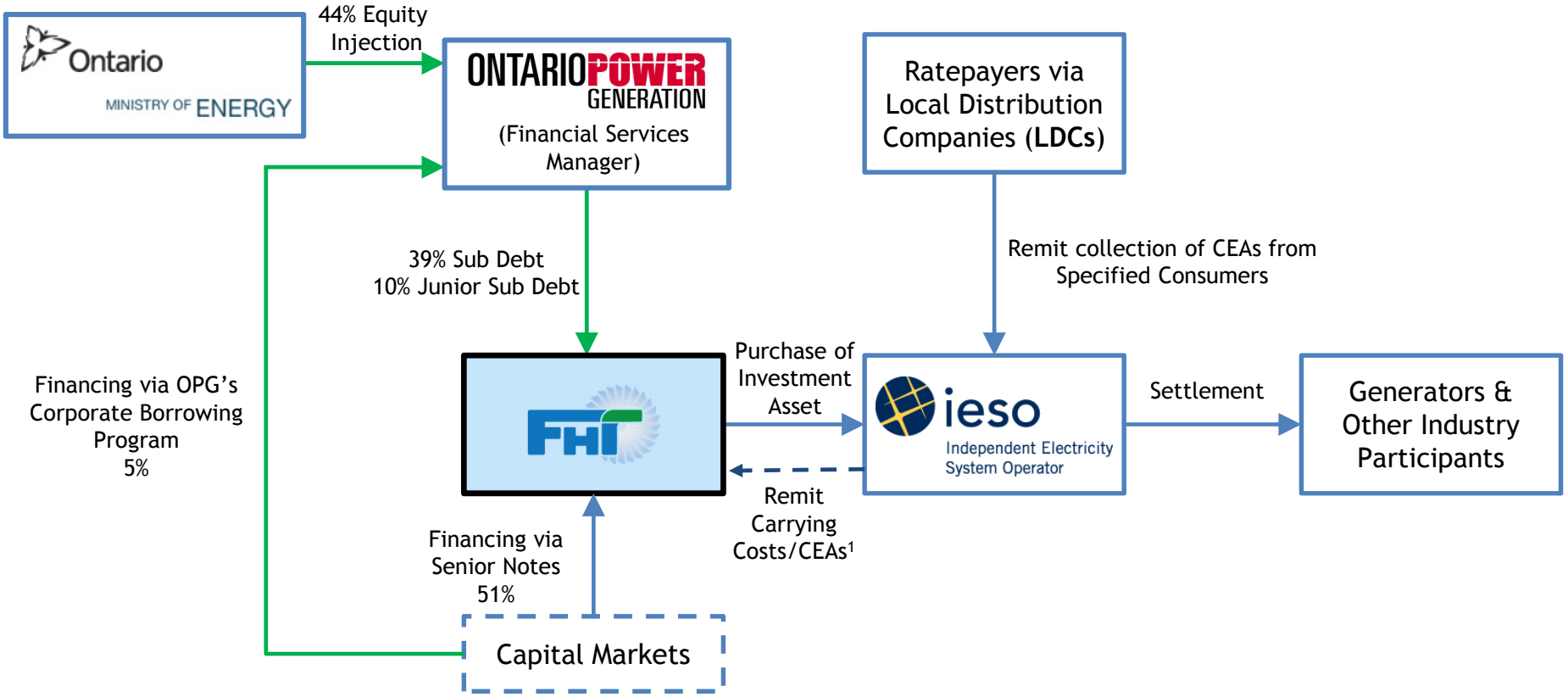
	Overview of Notes		
Class	**Senior**	**Subordinated**	**Junior Subordinated**
Issuance Date	February 9, 2018	February 9, 2018	February 9, 2018
Issue Amount	$500,000,000	$382,353,000 (placed with OPG)	$98,040,000 (placed with OPG)
Initial % of Aggregate Notes	51%	39%	10%
Ratings (DBRS / Moody's)	AAA(sf)/Aa2(sf)	AA(sf)/Aa2(sf)	A(sf)/Aa2(sf)
Remaining Term to Maturity	15.15 years	15.15 years	15.15 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
Principal Accumulation	Principal will be accumulated monthly commencing January 2030 to facilitate repayment of notes on the Expected Maturity Date		
Payment Dates	May 15 and November 15 or next business day		
Senior Note Credit Enhancements	Credit enhancements for the FHT 2018-1 Senior Notes consist of: • Subordinated and Junior Subordinated notes initially equal to 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, 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 • 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		

Summary of Proposed Offering

	Overview of Notes		
Class	**Senior**	**Subordinated**	**Junior Subordinated**
Issue Amount	$●MM	$●MM (to be placed with OPG)	$●MM (to be placed with OPG)
Initial % of Aggregate Notes	51%	39%	10%
Expected Ratings (DBRS / Moody's)	AAA(sf)/Aa2(sf)	AA(sf)/Aa2(sf)	A(sf)/Aa2(sf)
Term to Maturity	20 years	20 years	20 years
Expected Maturity Date	May 15, 2038	May 15, 2038	May 15, 2038
Principal Payment Default Date	May 15, 2040	May 15, 2040	May 15, 2040
Par Call Date	November 15, 2037	November 15, 2037	November 15, 2037
Principal Accumulation	Principal will be accumulated monthly commencing June 2037 to facilitate repayment of notes on the Expected Maturity Date		
Interest Type	Fixed rate		
Day Count	180/360, first payment actual/365		
Payment Dates	May 15 and November 15 or next business day		
Senior Note Credit Enhancements	Credit enhancements for the FHT 2018-2 Senior Notes will consist of: • Subordinated and Junior Subordinated notes initially equal to 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, 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 • 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		

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

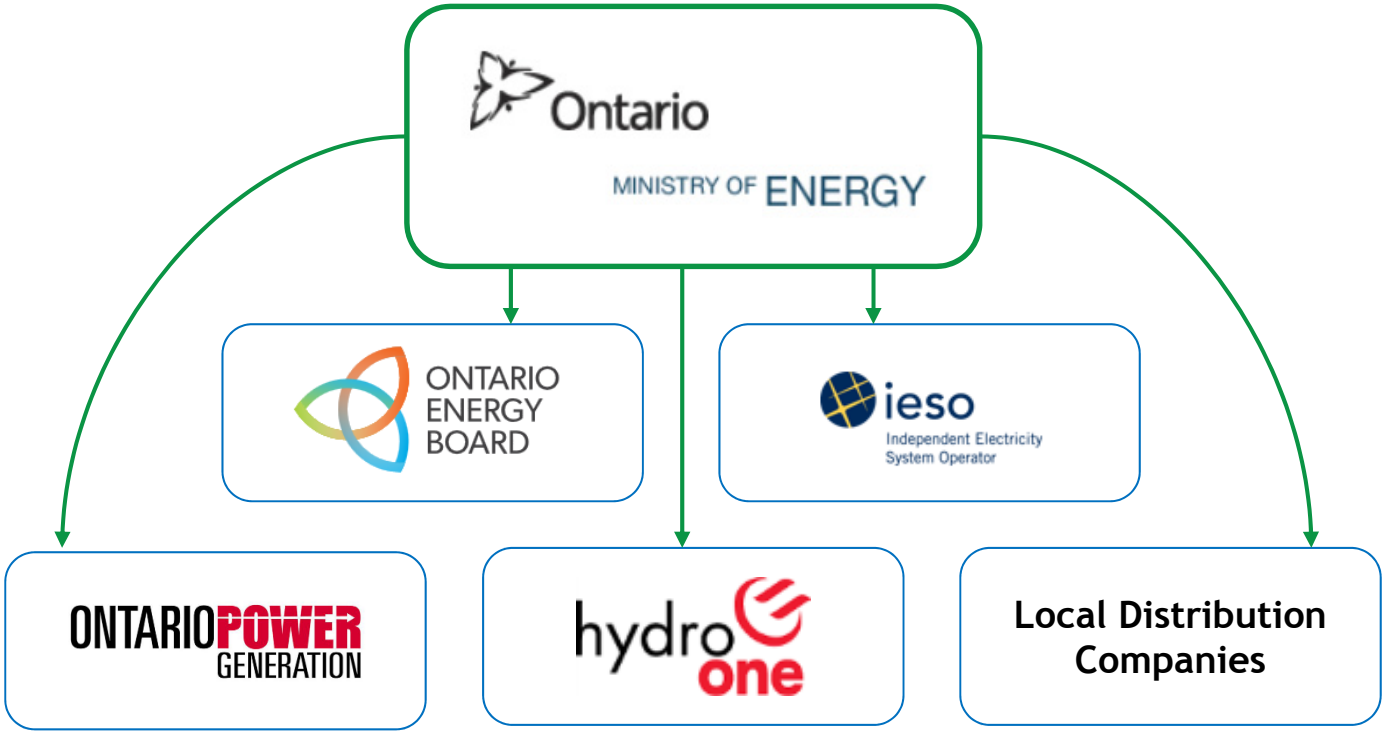


[1] The IESO is required to pay and remit Carrying Costs to the FHT up to July 31, 2021. Commencing May 1, 2021, CEAs will be included on invoices sent to Specified Consumers and collections will be used to pay all funding and other expenses of the Trust. The additional three months of IESO remittances from May 1, 2021 to July 31, 2021 is intended to cover billing and collection lags from the introduction of CEAs.
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 flows[1]
- 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
Ontario Ministry of Energy	**AA (l) / A+ / Aa2** [1]	• The Province of Ontario through the Ministry of Energy sets policy for the electricity system
Ontario Energy Board	--	• Independent public regulatory agency established under the *Ontario Energy Board Act, 1998* 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)
ieso Independent Electricity System Operator	**A(h) / -- / Aa2**	• Corporation without share capital established under the *Electricity Act, 1998 (Ontario)* • Manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market
Ontario Power Generation	**A(l) / BBB+ / --**	• Corporation formed under the *Business Corporation Act (Ontario)*, 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 a significant portion of the province's electricity
hydro one	**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. The majority of LDCs continue to be municipally-owned, while others have been acquired by Hydro One or private-sector owners
- An LDC, referenced as an Electricity Vendor in the FHPA, is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors

Select Aggregate Market Stats[1]

Number of LDCs in Ontario	65
Total Revenue	$18.89 billion
Total Metered Usage (kWh)	116.11 billion
Residential Customers	4.61 million
Small Commercial[2] Usage Customers	0.44 million
Total Residential & Small Commercial[2] Customers	5.05 million

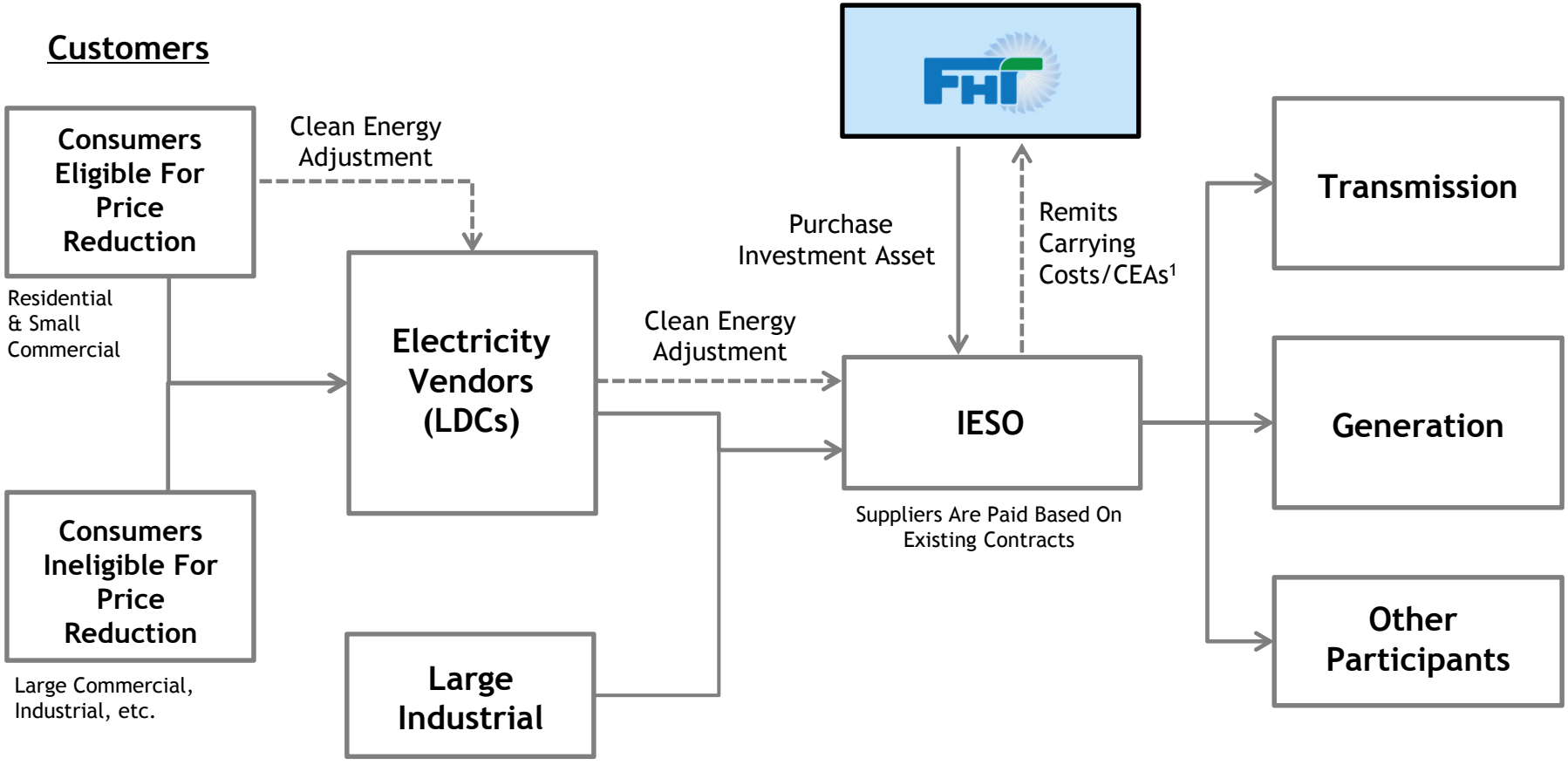
Top 5 LDCs by Customer Base[1]

	Rating[3] *(S&P/DBRS/Moody's)*	Customers[4] *(MM)*	Total Revenue *(C$MM)*
hydro one	A / A(h) / A3	1.30	$4,533
alectra utilities	A / A / --	0.96	$3,642
TORONTO HYDRO	A / A / --	0.75	$3,886
HydroOttawa	BBB+ / A / --	0.32	$1,130
London Hydro	A / -- / --	0.15	$488
		3.49	**$13,680**
Percentage of Residential & Small Commercial[2]		**69%**	

[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

Electricity Market with FHT

- Under the FHPA, each month the IESO determines the IESO deferral (the shortfall that results from the Fair Adjustment together with Carrying Costs paid, financing costs and other related costs)
- 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, commencing May 1, 2021



[1] The IESO is required to pay and remit Carrying Costs to the FHT up to July 31, 2021. Commencing May 1, 2021, CEAs will be included on invoices sent to Specified Consumers and collections will be used to pay all funding and other expenses of the Trust. The additional three months of IESO remittances from May 1, 2021 to July 31, 2021 is intended to cover billing and collection lags from the introduction of CEAs.

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 Specified 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

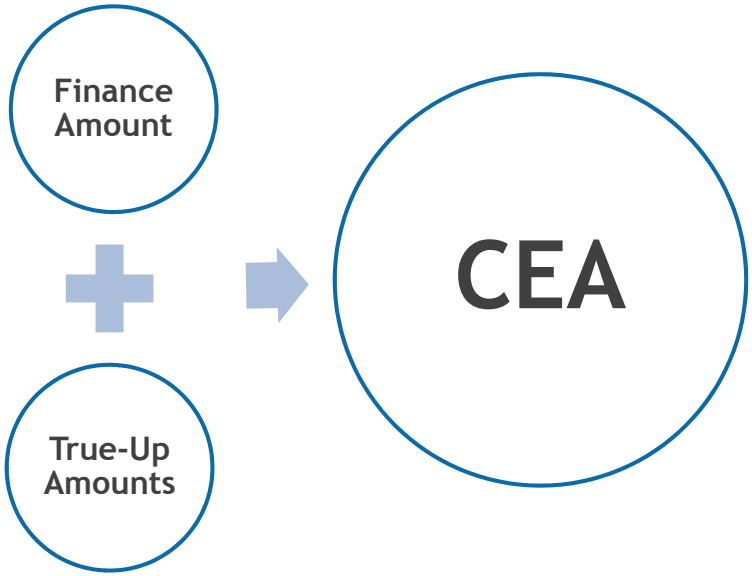
[1] Based on a typical Toronto Hydro customer; the amount of the reduction for any given Specified Consumer may vary from this amount.

Legislation Overview, cont'd

Regulatory Asset	• Each month the IESO determines the IESO deferral (the shortfall that results from the Fair Adjustment together with Carrying Costs paid, financing costs and other related costs) and records this amount, 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 variance account
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" in an Investment Asset) • By acquiring an Investment Interest, the Trust will be entitled to recover all of its associated financing costs and acquires the right to 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 the Regulations • As security for the performance of its obligations, the IESO has granted the Trust a first-priority security interest in its accounts receivable owing by Electricity Vendors to the IESO • The IESO has a $2 billion credit facility from the Ontario Financing Authority ("OFA") which can be used, among other things, to fund payments of the Carrying Costs

Clean Energy Adjustments

- Under the FHPA, the CEA is the amount payable by Specified Consumers to cover the financing and other costs related to the acquisition by the Trust of the Investment Asset and the associated costs of the financing, including payment of principal, interest, 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

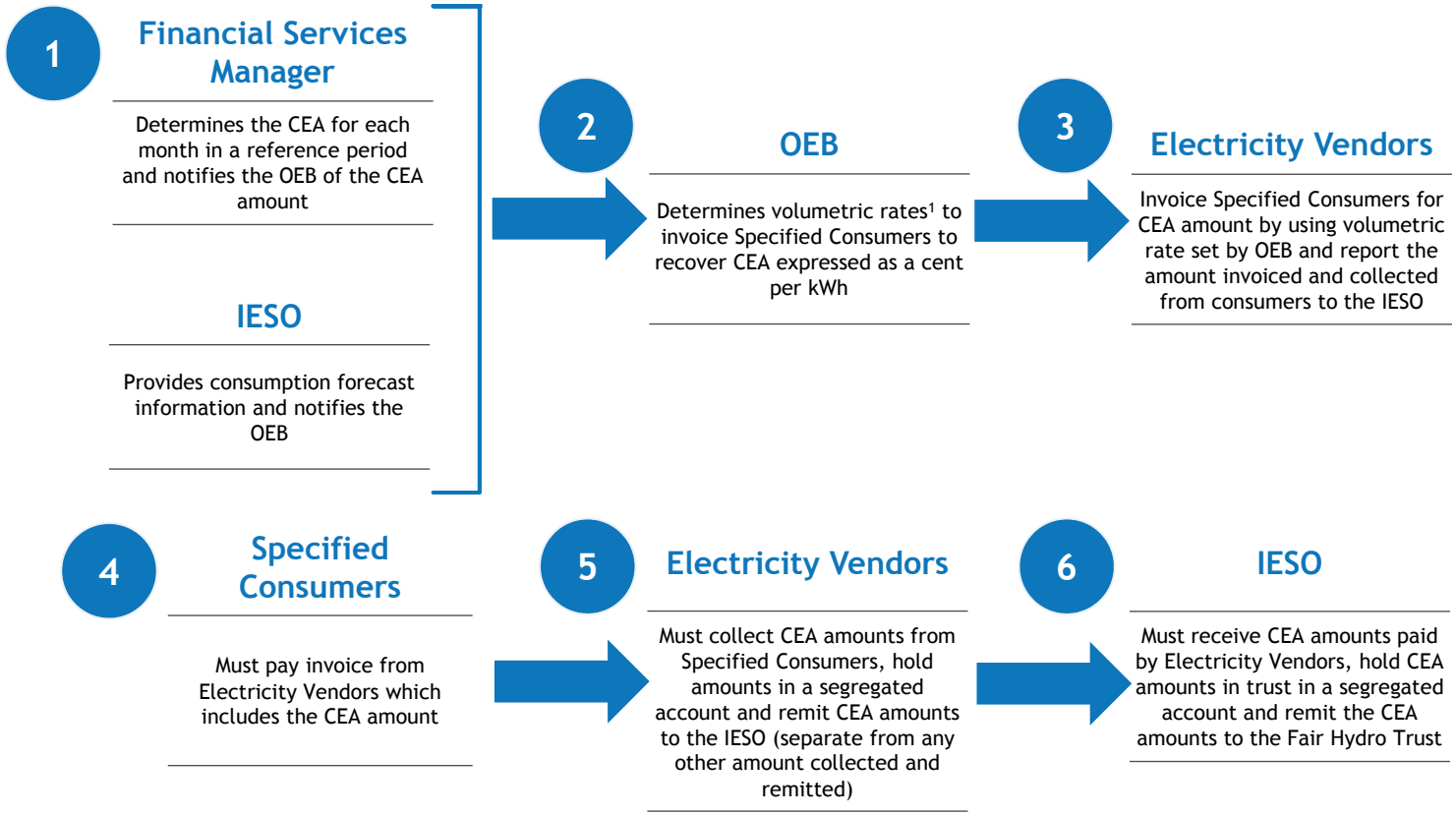


Finance amount is an estimate of the amount payable by the Trust mainly in respect of principal payments, interest costs, Trust expenses and taxes, reserve account deposits and derivative payments

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 obligations of the IESO under the Master Transfer & Servicing Agreement, and the ability to include amounts in the CEA by means of the true-up mechanism
- IESO is required to segregate the CEAs during a monthly period before remitting to FHT. If the IESO's credit rating is downgraded below investment grade, the IESO will be required to remit within two business days of receipt

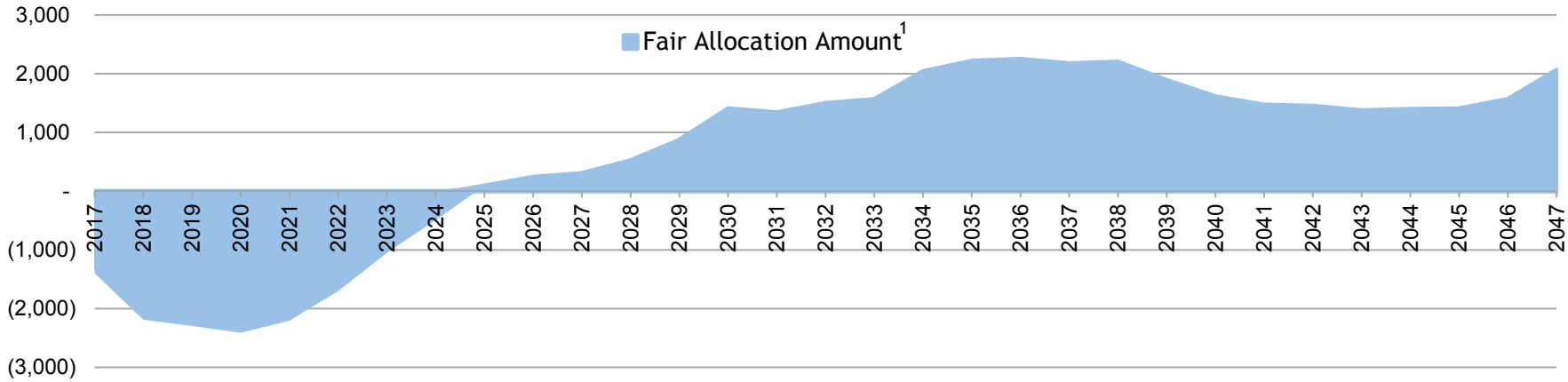


[1] The rates will be determined by dividing the CEA amount by the forecasted energy consumption in the reference period by Specified Consumers.

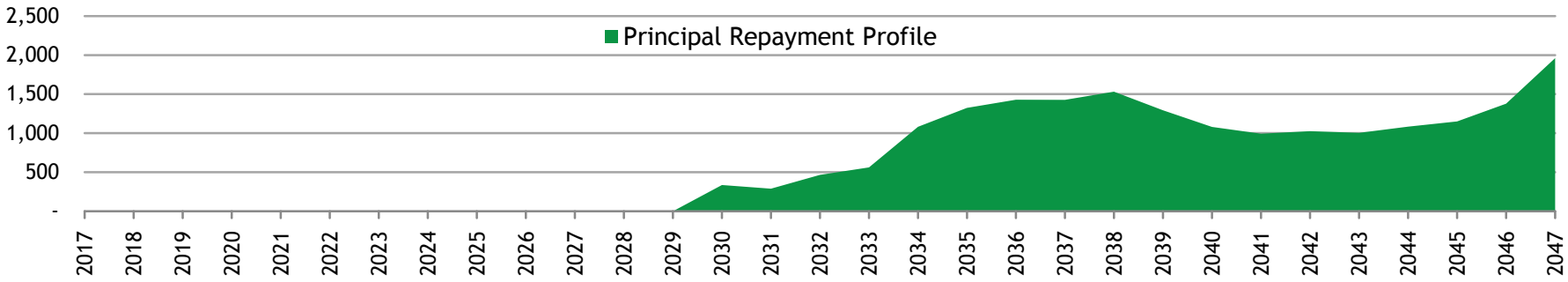
Fair Allocation Amount

- The Fair Allocation Amount ("FAA") is an amount calculated under the FHPA by the Minister of Energy in respect of each reference period that, among other things, allocates the estimated value of clean energy costs in proportion to the relative attribution of the value of clean energy benefits among Specified Consumers

Fair Allocation Amount ($ million)



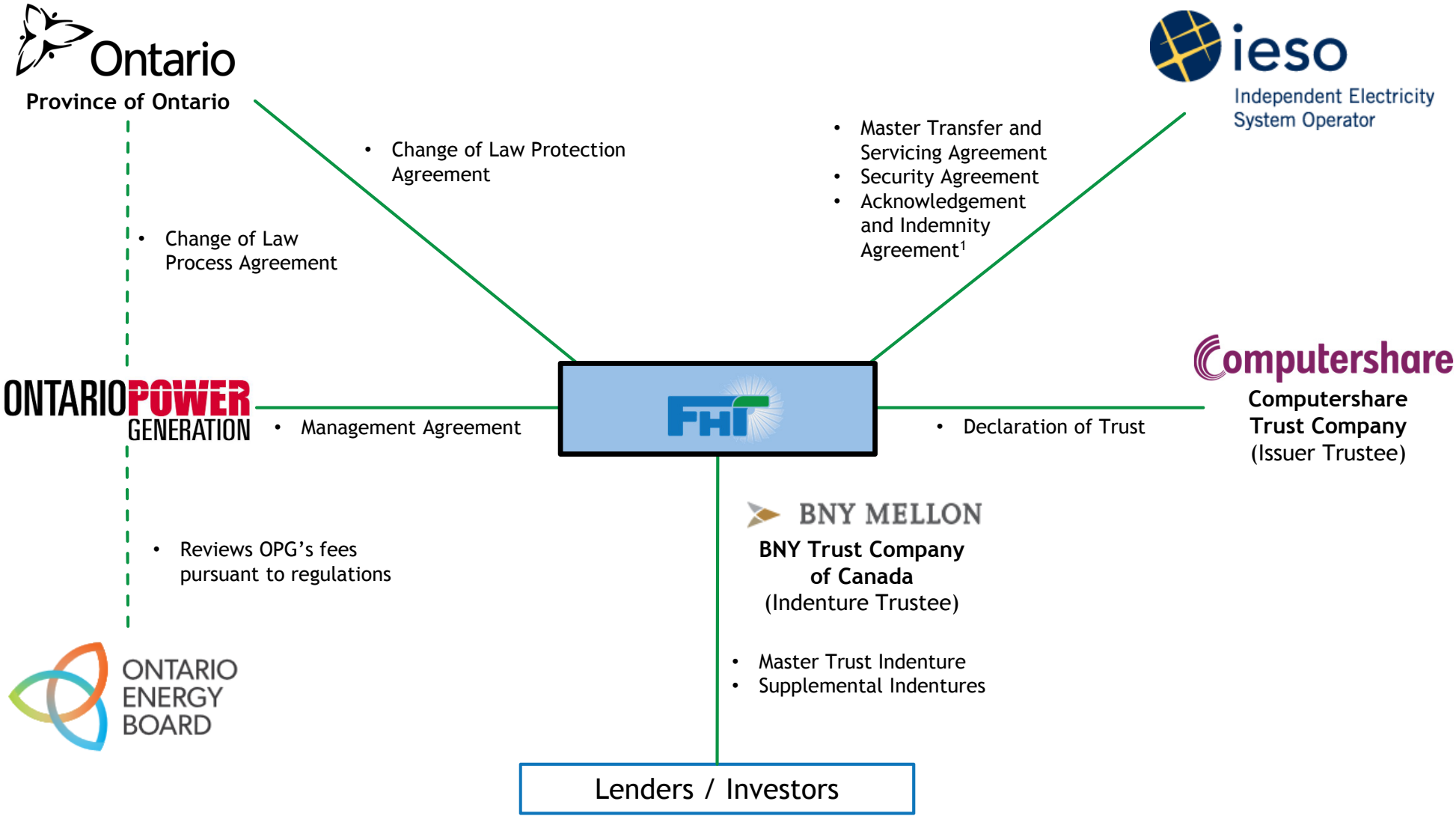
Principal Repayment Profile (derived from the FAA)



[1] Prior to 2025, the above graph of the FAA incorporates the Readjustment Amount. The Readjustment Amount represents the estimated 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.

Contract Highlights

Change of Law Protection Agreement

Purpose	• Provides assurance to Specified Creditors[1] that upon the occurrence of a Protection Event, the Province of Ontario is required to make payments in respect of all Approved Obligations when due and payable
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 makes or amends any "Regulation" 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 receive amounts in respect of its Investment Interest so that it can pay Approved 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; or (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

Note: Additional information on the Change of Law Protection Agreement can be found in the Appendix.

[1] **Specified Creditors** refers to any Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

Contract Highlights

Key Agreements

Master Transfer and Servicing Agreement	• Provides for the transfer by the IESO to the Trust of the Regulatory Asset, and upon such transfer the Trust acquires an Investment Interest in the Investment Asset • The IESO will be responsible for servicing the Investment Interest, including receiving CEA amounts from Electricity Vendors and remitting to the Trust
Management Agreement	• Issuer Trustee delegates to OPG, as Manager under the Management Agreement, all powers and duties of managing the Trust • The Manager will determine how and when to incur funding obligations to acquire Investment Interests
Other Key Agreements	• Security Agreement • Acknowledgement and Indemnity Agreement • Change of Law Process Agreement • Declaration of Trust

Note: Additional information on these key agreements can be found in the Appendix.

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

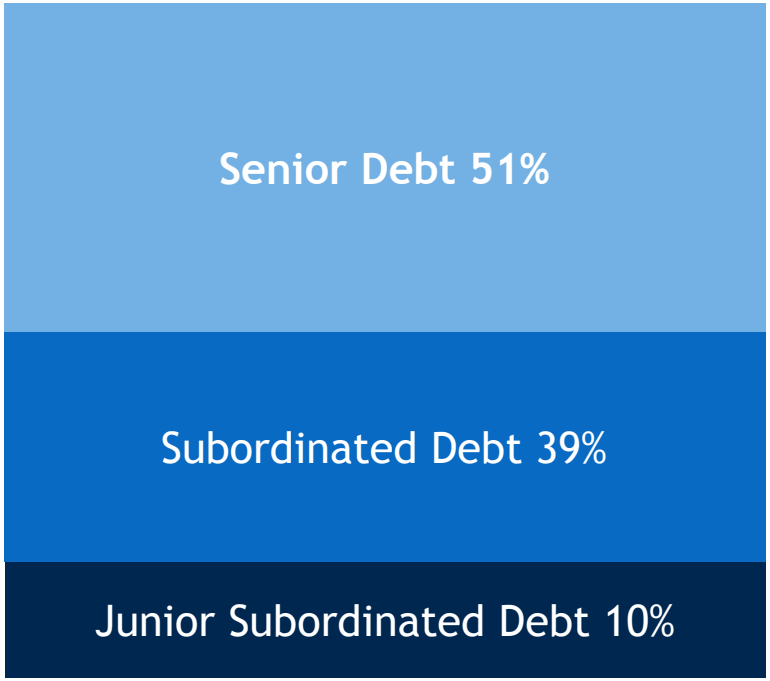
Financing Plan / Strategy

- 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 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 senior debt with subordinated debt funded by OPG will be used by the Trust to fund monthly Regulatory Asset purchases from the IESO
Term Debt	• Term debt issuances will be used to refinance warehouse financing and the subordinated and junior subordinated warehouse debt funded by OPG • Both Canadian term debt and U.S. term debt market will be considered • Maturity profiles will be structured to ensure reasonable alignment with the FAA (bullet bonds with sinking funds or amortizing bonds) • FHT may issue debt that may be refinanced in the future
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% anticipated) will be sourced monthly from committed warehouse facilities, and the periodic issuance of term debt
- Subordinated debt (49% anticipated; minimum of 35% required[1]) 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%)



Senior Notes
Warehouse facilities and term debt issuances (in Canada and/or the U.S.)

Subordinated Notes
Provided to Trust by OPG via equity injection from the Province

Junior Subordinated Debt
- OPG equity injection (5%) via its corporate borrowing program
- Provided to Trust by OPG via the Province (5%)

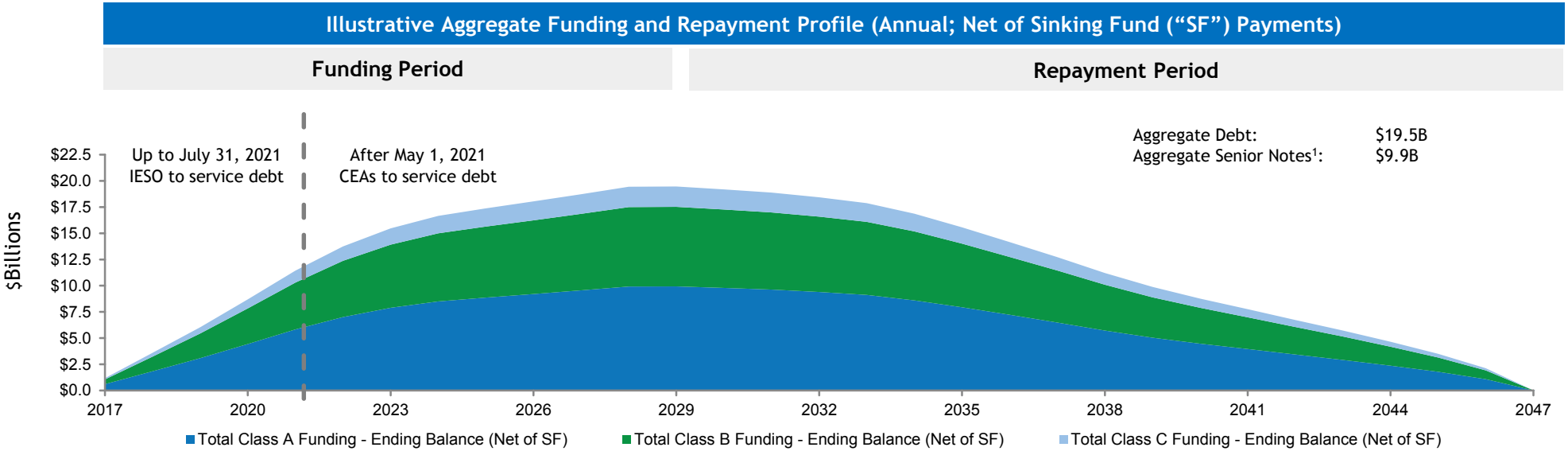
Note: Assumes 49% subordinated debt.

[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.

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



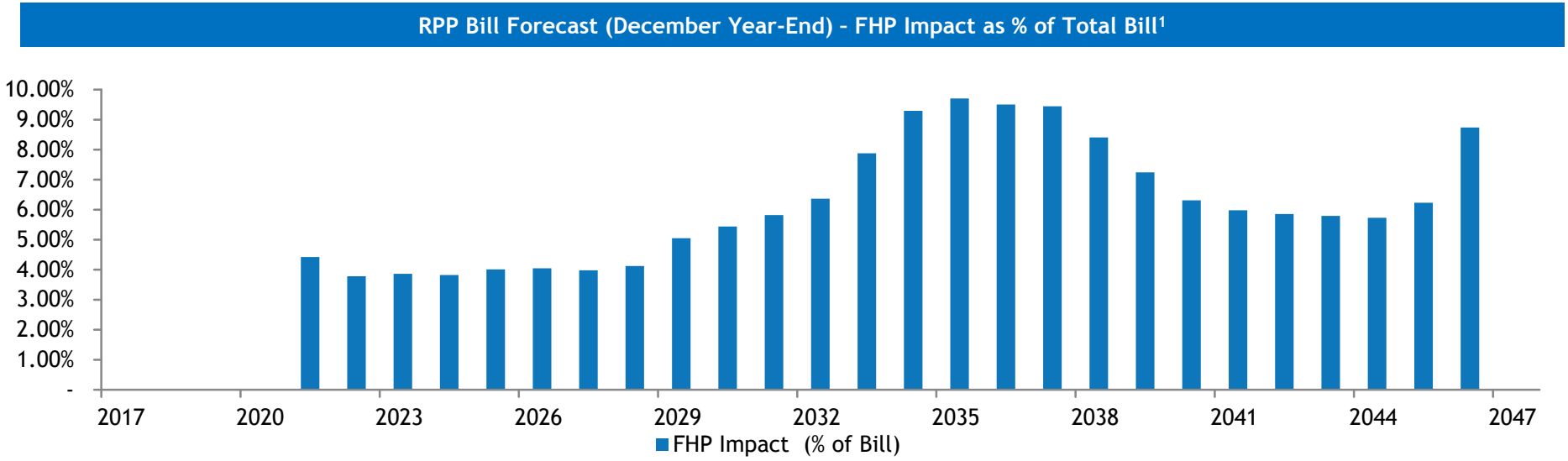
[1] Assumes 51% Senior Notes

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
- The CEA as a percent of the total bill is forecasted to increase to 10.0% over the collection period
- The average CEA as a percent of the total bill is forecast to be 7.0% over the collection period



[1] Presents % of total bill at December year-ends; individual months in any given year may have a higher or lower impact as % of total bill.

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

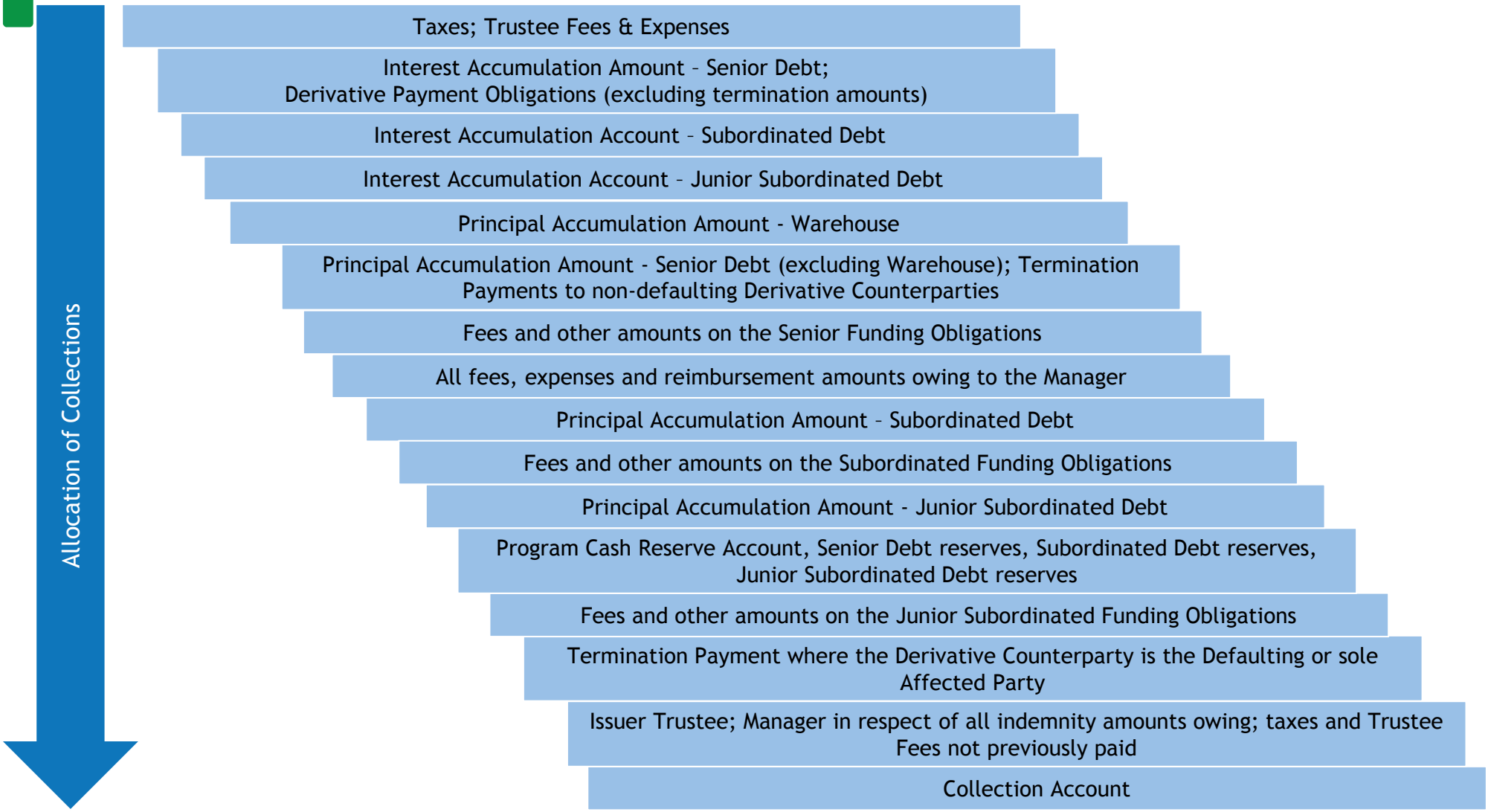
Incurrence of Funding Obligations	• Trust may incur funding obligations under a variety of instruments including: – Note issuances under supplemental indentures – Borrowings under credit agreements – Purchase of notes under note purchase agreements – Letters of Credit/Guarantees under credit enhancement 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	• Includes payment and senior 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 under the Regulation at the otherwise scheduled amounts, plus an additional amount equal to the amounts available under the FAA • 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. Accordingly, the subordination of debt across all series of debt should advance the repayment of the principal amount for senior funding obligations • After an acceleration, all Senior Term Notes will be paid *pari-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. 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 the Indenture Trustee for lenders/investors in these circumstances
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	• Until July 31, 2021, the Trust is dependent on the IESO to remit payments to the Trust 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 its accounts receivable owed by Electricity Vendors as security during the Moratorium Period • IESO will provide a letter of credit/other security to mitigate commingling risks for CEAs held 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 credit facility from the OFA which can be used by the IESO 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 • CEAs as a percent of the total bill over the collection period is forecast to increase to 10.0%
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

VII. Summary of Offering

Summary of Indicative Terms

	Class	Issue Amount	% of Initial Aggregate Notes	Expected Maturity Date	Principal Payment Default Date	Expected Ratings (DBRS / Moody's)
Fair Hydro Term Issuance	Senior Term Notes	$●MM	51%	May 15, 2038	May 15, 2040	AAA(sf)/Aa2(sf)
	Subordinated Notes	$●MM (placed with OPG)	39%	May 15, 2038	May 15, 2040	AA(sf)/Aa2(sf)
	Jr. Subordinated Notes	$●MM (placed with OPG)	10%	May 15, 2038	May 15, 2040	A(sf)/Aa2(sf)

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 (not including principal) from IESO (Up to July 31, 2021) • Post Moratorium Period: Non-bypassable charge from residential and small commercial customers in Ontario (After May 1, 2021)
Payment Frequency	Semi-annual pay on May 15 and November 15 until the Expected Maturity Date, monthly thereafter if the notes are not repaid on the Expected Maturity Date
Principal Accumulation	Principal will be accumulated monthly commencing June 2037 to facilitate repayment of notes on the Expected Maturity Date
Interest Type	Fixed rate
Senior Note Credit Enhancements	• Subordinated and Junior Subordinated notes initially equal to 49% of the aggregate issuance amount • Program Cash Reserve Account • Semi-annual (or more frequent) True-up mechanism to address any shortfalls in collections
Program Cash Reserve Account	After the 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

VIII. Investment Highlights

Investment Highlights

- Protection against political risk through the Change of Law Protection Agreement
- Irrevocable & non-bypassable ratepayer 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
- 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

Appendix – Key Agreement Summaries

Key Agreements

Change of Law Protection Agreement

Parties	• (1) Province of Ontario and (2) Indenture Trustee as Trustee of the Issuer, on behalf of Specified Creditors[1], and (3) OPG as FSM
Purpose	• Provides assurance to Specified Creditors that upon the occurrence of a Protection Event (see slide 22 for details) 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 • **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 application of guarantee payments is governed by the waterfall provision under the MTI • **Adherence Conditions**: For the Limited Guarantee to apply to an obligation of the Trust, OPG as FSM is required to comply with certain conditions, including the delivery of an Adherence Compliance Certificate, prior to the incurrence of such obligation (such obligation called an "Approved Obligation") • **Suspension Notice**: The Province may deliver a suspension notice upon the occurrence of the acceleration of any indebtedness of the Trust or other Program Breach or a default in performance or misrepresentation by OPG as FSM pursuant to certain internal reporting and other requirements contained in a Change of Law Process Agreement between OPG and the Province. Any new funding obligations that are incurred during a suspension period will not have the benefit of the Limited Guarantee, except that the Change of Law Protection Agreement applies to post-suspension refinancing of previously issued Approved Obligations

[1] **Specified Creditors** refers to any Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

Key Agreements

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 specified portions of the Regulatory Asset, and upon such transfers the Trust acquires an Investment Interest; also describes the servicing obligations of IESO
Key Terms	• **Transfer of Regulatory Asset**: The IESO may offer, no more frequently than monthly, to transfer 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 Legislation, including receiving CEA amounts from Electricity Vendors and remitting the same to the Trust; 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; – Remitting CEAs monthly to the Trust (unless downgraded below investment grade in which case it will remit within two business days); – Preparing monthly servicer reports; and – Providing a forecast of electricity consumption • **Carrying Costs:** 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

Management Agreement

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

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 its accounts receivable owing by Electricity Vendors
Acknowledgement and Indemnity Agreement	• 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 updated from time to time in the Financing Plan) to be exceeded
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

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 Senior 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 Senior 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 Senior Notes pursuant to an Offering.

CONFIDENTIAL SHELF OFFERING MEMORANDUM

New Issue By Way of Private Placement — January 22, 2018

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 (as hereinafter defined), has created a program providing for the offering and issuance of senior secured notes (the "**Senior Notes**"), in one or several offerings. The Issuer was established in connection with the *Ontario Fair Hydro Plan Act, 2017* (together with the regulations promulgated thereunder, the "**FHPA**"). Under the FHPA, OPG is appointed as financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding Obligations**") for the purposes prescribed under the FHPA. The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations being offered for the purposes of the FHPA.

The Senior 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 Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior 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, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. The Senior Notes will be limited recourse obligations, secured only by the collateral described in this confidential shelf offering memorandum. See *"Capital Markets Platform — Acceleration and Remedies — Limited Recourse"* and *"Risk Factors"*.

The specific terms of any offering of Senior Notes, including, without limitation, the aggregate principal amount of Senior Notes being offered, the currency of the Senior 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 rating of the Senior Notes at the time of such offering, 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 Senior Notes will not be listed on any securities exchange.

The offering of Senior 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 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 Senior 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 Senior 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 Senior Notes. See *"Risk Factors"* and *"Restrictions on Resale"*.

The Senior 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 to conditionally offer the Senior Notes for sale on a best efforts basis, subject to prior sale, in connection with the applicable Offering of Senior Notes and will also set forth the terms of such Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents.

Subscriptions for the Senior 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 Senior 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 Senior Notes. The Senior 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 Senior Notes will be issued under and will be entitled to the benefits of a master trust indenture dated as of December 21, 2017 between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee, as amended, supplemented, restated or otherwise modified from time to time.

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 Senior Notes, prospective investors should consult with their legal, tax, accounting and investment advisors to determine the consequences of an investment in the Senior Notes. See *"Risk Factors"* for a discussion of certain factors that should be considered by prospective purchasers of Senior 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 Senior Notes in Canada under exemptions from the prospectus requirements of the securities laws of the provinces where they are sold. The Senior Notes may only be traded in Canada under exemptions from the prospectus requirements of the securities laws of the provinces in which they are traded and only through dealers registered or exempt from the dealer registration requirements of applicable Canadian securities laws. See *"Restrictions on Resale"*.

There is currently no secondary market for the Senior 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 Senior Notes with liquidity for their investment or that it will continue for the term of the applicable Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in such Senior Notes until the maturity date of such Senior 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 Senior 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, are incorporated by reference and included in, respectively, and form 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 Senior 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.

Capitalized terms used and not otherwise defined in this confidential shelf offering memorandum have the meanings ascribed to them in the glossary starting on page 95 of this confidential shelf offering memorandum. An index of defined terms used in this confidential shelf offering memorandum specifying on which page such terms are defined is provided starting on page 107 of this confidential shelf offering memorandum. All figures in this confidential shelf offering memorandum are in Canadian dollars unless otherwise noted.

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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 in the sections titled *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*, *"Subordinated Debt"* and *"Risk Factors"* of this confidential shelf offering memorandum and *"Fair Allocation Amount"*, *"Financing Plan / Strategy"*, *"Financing Structure"*, *Aggregate Financing Program"* and *"Consumer Bill Forecast with FHP"* of the Investor Presentation. 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 Senior Notes and may not be appropriate for other purposes.

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:

Judicial, Legislative or Regulatory Risks:

- Future legal action might challenge or invalidate the FHPA and materially adversely affect a holder's investment in the Senior Notes.
- Future legislative action to change the FHPA, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.
- Future regulatory action to change the rules applicable to the operation of the electricity market might materially adversely affect a holder's investment in the Senior Notes.
- Future judicial action could reduce the value of a holder's investment in the Senior Notes.
- Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Risks Associated with the Unusual Nature of the Investment Asset:

- Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes. Amounts paid by the IESO are not available to pay principal on the Senior Notes.
- The Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed.
- A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.
- The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.
- Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.
- The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require approval of all Series.
- If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.
- The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.
- If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

Servicing, Operating and Consumer Risks

- Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO in performing their respective obligations under the FHPA and, with respect to the IESO, the Master Transfer and Servicing Agreement.
- Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager.
- Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.
- Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.
- Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.
- It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers.
- Delinquent or partial payments of electricity bills may make principal payments on the Senior Notes occur later than expected.
- Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.
- Power outages could impair payment of the Senior Notes.
- Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Insolvency-Related Risks

- If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.
- If the IESO were to become subject to Canadian Insolvency and Restructuring Laws, the Transfers of specified portions of the Regulatory Asset by the IESO may not be respected as true sales of the Regulatory Asset.
- If any Electricity Vendor or the IESO were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against such Electricity Vendor or the IESO may be significantly impaired or delayed.
- If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against OPG may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.
- If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.
- If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.
- If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Other Risks:

- The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.
- If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.
- The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.
- The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.

- Restrictions on resale might limit the ability to resell the Senior Notes.

Please also see *"Risk Factors"*.

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

CONFIDENTIALITY

THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM IS FOR THE CONFIDENTIAL USE OF ONLY THOSE PERSONS, AND THEIR RESPECTIVE REPRESENTATIVES, TO WHOM IT IS TRANSMITTED, SOLELY TO ENABLE SUCH PERSONS TO EVALUATE AN INVESTMENT IN THE NOTES DESCRIBED IN THIS CONFIDENTIAL SHELF OFFERING MEMORANDUM. 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.

DOCUMENTS INCORPORATED BY REFERENCE

A Term Sheet containing the specific variable terms in respect of an Offering will be delivered to prospective purchasers of Senior 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 Senior Notes issued under such Term Sheet.

Any statement contained in the confidential shelf offering memorandum or in any document incorporated or deemed to be incorporated by reference in the confidential shelf offering memorandum shall be deemed to be modified or superseded, to the extent that a statement contained herein or in any other subsequent document which is or is deemed to be incorporated by reference in the confidential shelf offering memorandum, modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of the confidential shelf offering memorandum, except as so modified or superseded.

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 a future 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.

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 sources, including industry publications and other publicly available industry sources. Neither the Issuer nor the Agents guarantee the accuracy of such information and neither the Issuer

nor the Agents have 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.

REFERENCES TO THE FHPA 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 www.ontario.ca/laws/statute/17o16.

SUMMARY

This summary does not contain all the information prospective purchasers should consider before investing in the Senior 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 95 of this confidential shelf offering memorandum. An index of defined terms used in this summary is provided starting on page 107 of this confidential shelf offering memorandum.

Issuer:	Fair Hydro Trust, a special purpose trust established under the laws of the Province of Ontario.
Manager:	Ontario Power Generation Inc. ("**OPG**"), pursuant to the terms of the Management Agreement.
Limitations:	The Senior 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) or of the IESO. The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG, IESO or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"— Change of Law Protection Agreement"*.
Ontario Fair Hydro Plan Act:	On June 1, 2017, the Ontario Legislature passed the Ontario Fair Hydro Plan Act, 2017 (the "FHPA"). The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms); (ii) recognize that Clean Energy Benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. As a result, from July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers will in effect be the rate that would result in a representative consumer being charged an invoice amount that is 25%[1] less than the rate that would otherwise have been determined by the Ontario Energy Board (the "**OEB**") under its Regulated Price Plan[2] for that period. Under the FHPA, OPG is appointed as Financial Services Manager and is given the authority to, among other things, establish, or cause to be established, one or more Financing Entities to incur Funding Obligations for the purposes prescribed under the FHPA. The Issuer is a Financing Entity under the FHPA and the Notes are Funding Obligations being offered for the purposes of the FHPA. See *"Ontario's Fair Hydro Plan — Background"*.

[1] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government.

[2] Specified Consumers, as a class, are not a one-to-one equivalent class to the RPP consumer class.

Summary of the Fair Hydro Financing Program:	The implementation of the Fair Hydro Plan is intended to be financed by the Issuer through the Fair Hydro financing program. The program provides for the offering and issuance by the Issuer of Senior Notes, in any number of Series, in one or several Offerings. A Term Sheet will describe particulars of the terms of each Series of Senior Notes and will be incorporated by reference and form an integral part of this confidential shelf offering memorandum. Each Series of Senior Notes will be issued under the Master Trust Indenture, as supplemented by a Supplemental Indenture authorizing that Series.
Transferor and Servicer:	The Independent Electricity System Operator (the "**IESO**") is a non-share corporation established under the *Electricity Act, 1998* (Ontario). As a non-share capital corporation, the IESO does not have any shareholders or owners and is governed by an independent board of directors appointed by the Minister of Energy. The IESO manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market. Each month, the IESO will determine the shortfall resulting from the rate reduction mandated by the FHPA and record the amount in a variance account. The IESO has the right, exercisable in accordance with the FHPA, to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). Pursuant to the Master Transfer and Servicing Agreement, the IESO may, on a monthly basis, offer to Transfer specified portions of the Regulatory Asset to the Issuer in accordance with the FHPA. See *"The Transferor and Servicer"*.
Investment Interest:	Upon completion of a Transfer by the IESO of a specified portion of the Regulatory Asset, the Issuer will acquire an Investment Interest in the Investment Asset, which is a current and irrevocable property right consisting of the rights specified in the FHPA, including the right to impose, invoice, collect, receive and recover the Clean Energy Adjustment from Specified Consumers in accordance with the FHPA. See *"— Clean Energy Adjustment"* below and *"Ontario's Fair Hydro Plan — Regulatory Asset"*, *"Ontario's Fair Hydro Plan — Investment Interest"* and *"The Transferor and Servicer"*.
Clean Energy Adjustment:	The FHPA imposes an irrevocable and non-bypassable charge referred to as the Clean Energy Adjustment that will be determined by the Financial Services Manager and will be converted by the OEB into a cent per kWh rate and added to the electricity invoices sent to Specified Consumers. See *"— Statutory Duties of the OEB"* below. The required Clean Energy Adjustment will be determined by the Financial Services Manager for each month in a Reference Period and consists of the sum (without duplication) of: (i) the estimated Finance Amount in respect of the Reference Period, which will include an estimate of all repayments, redemptions, funding costs (including interest and principal on the Senior Notes), derivative payments, required reserve account 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 the cumulative Finance Amounts in respect of all preceding Reference Periods less the cumulative Clean Energy Adjustment amounts remitted to the Issuer in respect of all preceding Reference Periods plus other anticipated shortfalls. The True-up Amount will also reflect any historical and reasonably foreseeable differences between the estimated and actual Finance Amount; 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. 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. 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 been 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 a Reference Period.

Commencing May 1, 2021, a charge in respect of 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 Senior Notes and all other administrative and other financing expenses of the Issuer. Based on the Fair Allocation Amount determined and provided by the Province, from July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustment amounts are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment of interest on the Senior Notes, and the Issuer's other Carrying Costs, will be the amounts the IESO is obligated to pay under the Regulations during such period. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*. Amounts so contributed by the IESO are not available to pay principal on the Senior Notes.

Non-bypassability:

The FHPA 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"*.

Payment of Carrying Costs until July 31, 2021:

The IESO, which is rated A(high) by DBRS and Aa2 by Moody's, is required under the Regulations to pay and remit to the Issuer any amounts charged to the IESO by the Issuer in respect of Carrying Costs incurred in respect of the period from June 1, 2017 to July 31, 2021. Under the Regulations, Carrying Costs include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (such as principal on the Senior Notes).

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 following receipt of the Issuer's carrying costs statement, the IESO is required to deliver the amount specified therein to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring September 30, 2022, which is permitted to be used by the IESO to pay the Carrying Costs to the Issuer. The amounts paid by the IESO to fund these Carrying Costs will be recorded by the IESO in the variance account and form part of the Regulatory Asset that the IESO is expected to Transfer to the Issuer in a subsequent period. Upon such Transfer, the Issuer will acquire a corresponding Investment Interest.

As security for the performance of the IESO's obligation under the Regulations to pay the Carrying Costs to the Issuer, the IESO has granted the Issuer a first-priority security interest in all accounts receivable owing to the IESO from Electricity Vendors, including amounts owing with respect to the global adjustment charge. See *"The Transferor and Servicer"*. For a further description of the global adjustment charge, see *"The Electricity Industry in Ontario — Electricity Prices"*.

Acceleration of Indebtedness:

A holder of Senior Notes must rely solely on the Clean Energy Adjustment amounts collected and any available reserve accounts for repayment of principal on the Senior Notes. Accordingly, if all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable during the Moratorium Period and before its scheduled payment date, maturity date or redemption date, the source of funds for repayment of principal may be limited.

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable after the Moratorium Period and 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 for a period will be determined without regard to the fact that such amount has become 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 & Financing Plan"* below. However, upon such acceleration, all accelerated Senior Notes will be repaid in full before any further payments of principal are made to holders of subordinated indebtedness, including the subordinated debt held by OPG; therefore, collections of the Clean Energy Adjustment that would otherwise have been available to repay the principal amount of subordinated indebtedness in the absence of acceleration of the Senior Notes will instead be applied to repay accelerated Senior Notes. 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 participants (e.g.

OEB licensees) in Ontario's electricity market, including the activities of transmitters and distributors as well as the IESO (all of whom are Electricity Vendors for the purposes of the FHPA).

Under 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 as a cent per kWh rate and are determined by the OEB by dividing (i) the aggregate Clean Energy Adjustment as determined by the Financial Services Manager in respect of the relevant period of time by (ii) a forecast of electricity consumption of Specified Consumers in respect of such period, based on forecast information provided by the IESO to the OEB. See *"The Transferor and Servicer"*.

Statutory Duties of Electricity Vendors:

Electricity is distributed to almost all Specified Consumers in Ontario through a network of local distributors. See "*The Electricity Industry in Ontario*" and the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Ontario electricity market and these local distributors.

The FHPA requires Electricity Vendors to invoice their Specified Consumers for a charge in respect of the Clean Energy Adjustment, 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 and any other Financing Entities that may be established, amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts and hold such amounts in trust for the benefit of the Financing Entities until remitted to the IESO for the benefit of the Financing Entities (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 any payment received to the Clean Energy Adjustment and the other amounts payable under the particular invoice in the manner set out in the FHPA. It is a deemed condition of their distribution license issued by the OEB that Electricity Vendors comply with the FHPA.

As security for any failure of an Electricity Vendor that does not have an investment grade rating from DBRS and Moody's to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. The amount of the security required is based on a formula as set out in the Master Transfer and Servicing Agreement and will be equal to: (a) the product of (i) 50% of estimated Clean Energy Adjustment amounts that are to be collected over a twelve-month period by all such non-investment grade rated Electricity Vendors, and (ii) a fraction equal to 45/365 (representing the 45-day period during which funds are expected to be held by such non-investment grade rated Electricity Vendors prior to being remitted to the Issuer); or (b) such

other lesser amount that satisfies the Rating Agency Condition. See *"The Transferor and Servicer."*

Management Duties of OPG:

Pursuant to the Management Agreement, the Issuer has delegated to OPG, as Manager, all of the powers and duties of managing the Issuer, including determining whether to incur Funding Obligations (including Offerings of Senior Notes) to acquire an Investment Interest or refinance existing Funding Obligations; negotiating and executing, on behalf of the Issuer, all agreements; maintaining accounts and banking records; preparing any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations (including the Senior 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 Financial Services Manager under the FHPA, 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 the calculation 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 on behalf of the Issuer and any other Financing Entities. Subject to OEB approval and as provided for in the FHPA, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture. The Province of Ontario is the sole shareholder of OPG and thereby has the power to determine the composition of OPG's board of directors. See *"The Electricity Industry in Ontario — Key Industry Participants — Ontario Power Generation Inc."* and *"The Manager"*.

Statutory and Servicing Duties of the IESO:

Following the Moratorium Period, the IESO is required, as agent of the Financing Entities (of which the Issuer is currently the only one), 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 amounts in respect of the Clean Energy Adjustment, hold such amounts in trust on behalf of the Financing Entities (of which the Issuer is currently the only one) and remit such amounts on a monthly basis, subject to daily remittance being required in certain limited circumstances. Pursuant to the Master Transfer and Servicing Agreement, monthly remittances of amounts received in respect of the Clean Energy Adjustment will occur on the 18th business day of each calendar month. In addition, the IESO will provide certain reporting and other servicing duties in favour of the Issuer, including providing forecast information to the OEB and the Issuer, which forecast information will be used by the OEB to forecast electricity consumption of Specified Consumers in respect of the relevant period, making commercially reasonable efforts to cause Electricity Vendors to establish segregated accounts into which Clean Energy Adjustment amounts are deposited, remitting such amounts 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. However, the Issuer will reimburse the IESO for certain direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are otherwise not recovered or recoverable by the IESO under the *Electricity Act, 1998* (Ontario). See *"The Transferor and Servicer."*

Change of Law Protection Agreement:

Pursuant to the Change of Law Protection Agreement, upon a Protection Event and delivery by the Indenture Trustee of a written payment demand, the Province of Ontario is required to make payments in respect of all "Approved Obligations" when due and payable into the Protection Account (which includes payments of amounts that are due and payable in respect of Senior Notes), although the amount of the Province of Ontario's payment obligations in a particular period may differ depending on whether an Acceleration has occurred. See *"Change of Law Protection Agreement"*. The Issuer and the Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay Specified Creditors to whom amounts are due and payable under an Approved Obligation in accordance with the provisions of the Master Trust Indenture. See *"Capital Markets Platform"*.

Generally, an "**Approved Obligation**" under the Change of Law Protection Agreement includes all obligations of the Issuer (except for amounts required to be deposited into any capital account or finance reserve account, or any obligation for the Issuer to pay itself any remaining amounts in the Collection Account pursuant to the Master Trust Indenture), including obligations of the Issuer under the Notes, subject to the satisfaction of certain adherence conditions for those obligations that constitute "Certified Primary Obligations", as defined in the Change of Law Protection Agreement. Subject to certain limited exceptions for refinancings, a "Certified Primary Obligation" includes all Notes, as well as certain other obligations of the Issuer under derivative agreements or under contracts with terms of greater than three years that are not terminable by the Issuer on less than three years' notice under which the Manager, acting reasonably, expects aggregate payments by the Issuer during the term of the contract in an amount in excess of $5,000,000.

It will be a condition to any Offering of Senior Notes that such Senior Notes constitute Approved Obligations under the Change of Law Protection Agreement.

Protection Event:

Each of the following constitutes a "**Protection Event**" for purposes of the Change of Law Protection Agreement:

(a)

(i) the Ontario 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;

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

(iii) 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;

(iv) 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; or

(v) 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 of Ontario or an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (i) to (v) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

(b) a court of competent jurisdiction determines that all or a portion of the Act, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

The Province of Ontario's obligation to make payments under the Change of Law Protection Agreement upon a Protection Event and

subsequent delivery of a written payment demand by the Indenture Trustee is referred to as the "**Limited Guarantee**".

Upon paying amounts when due and payable in respect of Approved Obligations, including the Senior Notes, into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights and interests of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid.

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture (in effect as of the date hereof). See *"Capital Markets Platform — Acceleration and Remedies — Rights of Specified Creditors"*.

Approved Obligations & Adherence Conditions:

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations under the Change of Law Protection Agreement.

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee on or before the incurrence of such obligation certifying that it has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation; and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition, notwithstanding that such certificate may include

inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancing

The Change of Law Protection Agreement will remain in full force and effect until the indefeasible payment, observance and performance in full of the Approved Obligations, including all Senior Notes.

However, in the following limited circumstances, the Province of Ontario may deliver a Suspension Notice under the Change of Law Protection Agreement: (i) if there has been an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement; (ii) if there has been an uncured breach of covenant, uncured default in performance, or uncured representation, warranty or certification that proves to be incorrect in any material respect on the date made, in each case of OPG (or its officers, in the case of a certification) to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations; or (iii) if the Financial Services Manager is no longer the Manager or actions have been taken by or on behalf of the Indenture Trustee to remove the Financial Services Manager as the Manager.

Upon delivery of a Suspension Notice, the Limited Guarantee shall not apply in respect of obligations incurred by the Issuer (excluding certain refinancings of Approved Obligations as described below) and certain material amendments of outstanding obligations of the Issuer.

Notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the suspension and (ii) any Funding Obligations incurred by the Issuer following a suspension that satisfy the terms and conditions of the Change of Law Protection Agreement, provided that the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a suspension to refinance Senior Notes that were Approved Obligations issued prior to a suspension will continue to have the benefit of the Limited Guarantee.

See *"Change of Law Protection Agreement"*.

Fair Allocation Amount & Financing Plan:

The Fair Allocation Amount is an amount calculated under the FHPA by the Minister of Energy in respect of each Reference Period that, among other things, allocates the estimated value of Clean Energy Costs in proportion to the relative attribution of the value of Clean Energy Benefits among Specified Consumers. See *"Ontario's Fair Hydro Plan"*.

The Financial Services Manager is required to prepare a Financing Plan under the FHPA to evaluate whether potential Funding Obligations

should be incurred by the Issuer or other Financing Entities 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 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 as of the date the Funding Obligations were incurred.

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. Notwithstanding the above, the FHPA provides that each Funding Obligation that is issued 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.

The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.

Subordinated Debt:

Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount equal to no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes.

Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be not less than 35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.

Use of Proceeds:

The proceeds from each Offering may be used for one or more of the following purposes: (i) to acquire an Investment Interest pursuant to the FHPA and the Master Transfer and Servicing Agreement, (ii) to refinance indebtedness of the Issuer (including other Series of Senior Notes), (iii) to pay Offering and related costs of the Issuer and (iv) to fund specific reserve accounts as required.

The Term Sheet for each Offering of Senior Notes will identify the amount of proceeds that will be used for such specified purposes.

Interest Rate:	Fixed, floating or otherwise, as determined by the Issuer and as set out in the Term Sheet applicable to such Offering.
Interest Payment Dates:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Accumulation Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Date(s) and Principal Payment Amount(s):	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Principal Payment Default Date:	As determined from time to time by the Issuer and as set out in the Term Sheet applicable to such Offering.
Ranking:	Subject to the applicable payment waterfalls set out in the Master Trust Indenture, the Senior Notes will be direct, secured and unsubordinated obligations of the Issuer, and will at all times rank equally and proportionately with each other and all other senior indebtedness issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference. See "*Capital Markets Platform — Subordination Provisions*", *"Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration"*.
Security:	All indebtedness and other obligations of the Issuer, including the Senior Notes, will be secured by a first ranking charge against all property and assets of the Issuer, including each Issuer Account (and all funds and property credited thereto), all rights and benefits, and powers of the Issuer under the FHPA and all rights, benefits and power under all Program Agreements, including under the Limited Guarantee. Under the Master Trust Indenture, the Issuer is required to maintain certain reserves: the IESO Cash Reserve Deposit Amount (an amount equal to the aggregate of (i) 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of April 15, 2021, and (ii) an amount estimated as the amount of Carrying Costs payable during May, June and July 2021, provided such amount in (ii) satisfies the Rating Agency Condition) will be deposited by the IESO by April 30, 2021. There is also a Program Cash Reserve Account which will begin to be funded from Clean Energy Adjustments following the Moratorium Period until it reaches the Program Cash Reserve Required Amount (on each Payment Date on and after May 15, 2021, an amount equal to 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of such date, or such lesser amount that satisfies the Rating Agency Condition). Funds in the IESO Cash Reserve Account will be applied to pay Carrying Costs after April 2021 to the extent that funds can be so applied such that the aggregate amount of funds in the IESO Cash Reserve Account and Program Cash Reserve Account is maintained at the Program Cash Reserve Required Amount. In connection with the incurrence of any Series of Notes, the Issuer may (i) establish a Series Account for purposes of accumulating funds used to make principal payments or for purposes of reserving funds to pay finance charges, and/or (ii) enter into a credit enhancement agreement

or liquidity agreement. Whether a Series of Senior Notes has the benefit of a Series Account or any credit enhancement agreement or liquidity agreement will be determined from time to time by the Issuer and set out in the Term Sheet applicable to such Offering.

See "*Capital Markets Platform — Security*".

Priority of Payments:

Prior to an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available for disbursement will generally be applied in the following order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts (up to a specified cap);
- payment of or accumulations in respect of interest for Senior Funding Obligations, *pari passu* with payments under derivative agreements (other than termination payments);
- payment of or accumulations in respect of interest for Subordinated Funding Obligations;
- payments of or accumulations in respect of interest for Junior Subordinated Funding Obligations;
- payment of or accumulations in respect of principal for Warehouse Obligations (see *"Warehouse Facilities"*);
- accumulations in respect of principal for Senior Funding Obligations (other than Warehouse Obligations), *pari passu* with termination payments under derivative agreements (other than as provided below);
- fees and other amounts (other than principal and interest) on Senior Funding Obligations;
- the Manager's fees, expenses and reimbursement amounts;
- payment of or accumulations in respect of principal for Subordinated Funding Obligations;
- fees and other amounts (other than principal and interest) on Subordinated Funding Obligations;
- payment of or accumulations in respect of principal for Junior Subordinated Funding Obligations;
- replenishment of Program Cash Reserve Account;
- replenishment of Series Accounts (other than accounts established for Subordinated Funding Obligations or Junior Subordinated Funding Obligations);
- replenishment of Series Accounts established for Subordinated Funding Obligations;
- fees and other amounts (other than principal and interest) on Junior Subordinated Funding Obligations;
- replenishment of Series Accounts established for Junior Subordinated Funding Obligations;
- termination payments under derivative agreements where the counterparty is the defaulting party or sole affected party;
- beneficiaries of the Issuer;
- indemnity amounts owing to the Manager; and
- all other obligations not specifically dealt with above.

After an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available to the Issuer or otherwise held by the Indenture Trustee will generally be applied in the following order of priority:

- taxes;
- trustee fees, expenses and reimbursement amounts;
- interest, fees and other amounts (other than principal) on Senior Funding Obligations and payments under derivative agreements (other than termination payments), *pari passu*, then Subordinated Funding Obligations (other than principal) and then Junior Subordinated Funding Obligations (other than principal);
- principal for Warehouse Obligations;
- *pari passu*, principal on Senior Funding Obligations (other than Warehouse Obligations) and termination payments under derivative agreements (other than where the counterparty is the defaulting party or sole affected party);
- the Manager's fees, expenses and reimbursement amounts;
- principal for Subordinated Funding Obligations and then Junior Subordinated Funding Obligations; and
- all other obligations not specifically dealt with above.

Notwithstanding the above, amounts held in a Series Account will be applied in accordance with the relevant Funding Obligation Agreement and amounts held in the Protection Account will be applied in accordance with the specific written payment statement and would not otherwise modify the provisions of the applicable payment waterfalls set out in the Master Trust Indenture.

See "*Capital Markets Platform — Payment Waterfall Prior to Acceleration*" and "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Currency: Senior Notes may be denominated in any currency. The currency for a particular Series of Senior Notes will be set out in the Term Sheet applicable to such Offering.

Minimum Subscription: Minimum principal amount of 100,000 units of the applicable currency and integral multiple of 1,000 units of the applicable currency. The minimum subscription and denomination of the Senior Notes may be varied as set out in the Term Sheet applicable to such Offering.

Optional Redemption: Senior Notes may be subject to redemption prior to maturity at the times and redemption price set out in the Term Sheet applicable to such Offering.

Purchase for Cancellation: The Issuer may, at any time, purchase at any price all or any of the Senior Notes in the market or by invitation for tenders or by private contract. Any Senior Notes so purchased shall be cancelled.

Distribution Method: The Senior Notes may be offered and sold by the Issuer on a private placement basis in Canada to "accredited investors" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) who purchase the Senior

	Notes as principal and that are not individuals unless those individuals are also "permitted clients" (as such term is defined in NI 31-103). By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser will be agreeing with and representing to the Issuer and any Agent participating in the trade that the purchaser is an accredited investor purchasing as principal along with certain other matters. See *"Representations and Agreements of Purchasers"*.
Book-Entry Form:	The Senior Notes will be delivered and recorded in book-entry form only through CDS or another depository selected by the Issuer in accordance with the Master Trust Indenture. Each Series of Senior Notes will be evidenced by a global note held by such depository, registered in its name or the name of its nominee, on behalf of all holders of such Series of Senior Notes. Subject to limited exceptions, no purchasers of Senior Notes will be entitled to a certificate or other instrument from the Issuer or CDS evidencing that purchaser's ownership thereof, and no holder of a Senior Note will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of owners. See *"Depository Services"*.
Resale Restrictions:	Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws and only through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws.** See *"Restrictions on Resale"*.
Risk Factors:	The purchase of the Senior Notes is subject to risks. Prospective investors should carefully consider the risk factors and other information in this confidential shelf offering memorandum and the Term Sheet for each Offering before purchasing Senior Notes, including the discussion set forth under *"Risk Factors"*, and any additional disclosure set out in the Term Sheet for each Offering.
Indenture Trustee:	BNY Trust Company of Canada.
Issuer Trustee:	Computershare Trust Company of Canada.

THE ELECTRICITY INDUSTRY IN ONTARIO

General Overview

The following summary of the electricity industry in Ontario does not purport to be comprehensive or definitive. It is a general and high-level overview of the historical context and the current manner in which the industry operates, including how real-time energy supply needs are met.

The Ontario electricity industry is principally comprised of three components:

- *Generation*: the production of electricity from various forms of energy, such as wind, solar, hydroelectric, natural gas and nuclear;
- *Transmission*: the transfer of electricity across high-voltage power lines from large generating facilities to local distribution systems and large transmission-connected consumers, as well as to and from inter-jurisdictional entities; and
- *Distribution*: the delivery of electricity within local areas to homes and businesses, as well as the delivery of electricity from small distribution-connected generating facilities, using low voltage power lines.

The structure of Ontario's electricity industry underwent significant changes in the late 1990s and early 2000s. Prior to April 1, 1999, Ontario Hydro, a Crown corporation, supplied most of Ontario's electricity generation and transmission needs. Consistent with initiatives taken in other electricity markets in North America at the time, the electricity industry was restructured in order to encourage greater competition. Ontario's competitive wholesale electricity market was opened by the IESO on May 1, 2002 and the market is used to administer the purchase and sale of wholesale electricity in Ontario.

Since the opening of the competitive market, Ontario's power supply mix has experienced significant change. As a result of provincial government policy, coal-fired generation has been eliminated and a significant amount of new capacity has been added as a result of new natural gas powered capacity, new wind and solar capacity and additional baseload nuclear generation capacity. These changes, along with the transmission and distribution system investments needed to support these changes, have resulted in significantly increased costs of electricity to consumers in Ontario.

While electricity supply in Ontario has increased, the province's electricity demand as reported by the IESO has fallen over the last decade, largely due to changes in economic conditions and conservation measures. Moreover, the addition of smaller scale wind and solar generation embedded in the distribution system has reduced the level of demand that is supplied by transmission-connected generation. Reducing electricity demand by encouraging conservation and demand management has been a key part of the Government of Ontario's plan to reduce greenhouse gas emissions from the province's electricity sector. Shorter-term fluctuations in electricity demand are impacted by variations in seasonal weather conditions.

Real-time energy supply needs are met through the wholesale electricity market administered by the IESO. Generators offer their generation into this real-time energy market, or "spot market", to be scheduled and dispatched by the IESO. The IESO receives hourly offers from electricity generators and importers to provide energy, along with bids to withdraw energy by certain domestic loads and exporters, and then schedules the lowest-cost offers and bids needed to meet demand. Most generators in Ontario also have bilateral contracts with the IESO (i.e. power purchase agreements) and one large generator, OPG, receives OEB-regulated prices, or payment amounts, that provide for payments in addition to wholesale market settlements that are paid to generators.

Key Industry Participants

Ontario Power Generation Inc.

OPG is a corporation formed under the *Business Corporation Act* (Ontario). The Province of Ontario is the sole shareholder of OPG and thereby has the power to determine the composition of OPG's board of directors. In 1999, when Ontario Hydro was split up in anticipation of deregulation, OPG was formed to hold the generation assets of the former Ontario Hydro. OPG has divested itself of certain of those assets, but remains the largest generator in Ontario.

OPG is Ontario's largest clean energy generator. As at the date hereof, OPG operated two nuclear generating stations, 66 hydroelectric generating stations, three thermal generating stations, and one wind power facility. OPG's mandate is to provide low cost power in a safe, clean, reliable and sustainable manner for the benefit of its customers and its sole shareholder, the Province of Ontario. OPG's electricity generation accounts for a significant portion of the total energy generated and injected into Ontario's electricity transmission system. OPG is one of the most experienced and largest generating companies in Canada with a broad set of relationships and capabilities. OPG is also experienced in successful complex financing arrangements of large capital projects, including the recently completed Lower Mattagami project.

Additional information about OPG is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.opg.com.

The IESO

The IESO is a non-share capital corporation created under the *Electricity Act, 1998* (Ontario). It was created as an amalgamation of two predecessor entities, one of which was also called the IESO ("**Predecessor IESO**") and the other of which was called the Ontario Power Authority ("**OPA**"). Predecessor IESO was responsible for managing the reliability of the provincial transmission system and operating the wholesale electricity markets in Ontario. The OPA was formed to plan the provincial power system and to procure electricity resources. The OPA entered into bilateral power or capacity purchase contracts with generators and other electricity resource providers. These two entities were merged statutorily on January 1, 2015 into the IESO, which now carries out all of these functions. As a non-share capital corporation, the IESO does not have any shareholders or owners and is governed by an independent board of directors appointed by the Minister of Energy.

Additional information about the IESO is provided in the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum and is available at www.ieso.ca.

The Ontario Energy Board

The OEB is a non-share capital corporation created under the *Ontario Energy Board Act, 1998*. The OEB is an independent and impartial administrative tribunal and public regulatory agency. The *Ontario Energy Board Act, 1998* provides the OEB with the authority to license and regulate the participants in Ontario's electricity market, including the activities of the IESO, transmitters and distributors. The IESO and distributors are Electricity Vendors for the purposes of the FHPA.

The OEB has the following objectives in relation to the electricity industry:

(a) to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;

(b) to promote the education of consumers;

(c) to promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry;

(d) to promote electricity conservation and demand management in a manner consistent with the policies of the Province of Ontario, including having regard to the consumer's economic circumstances;

(e) to facilitate the implementation of a smart grid in Ontario; and

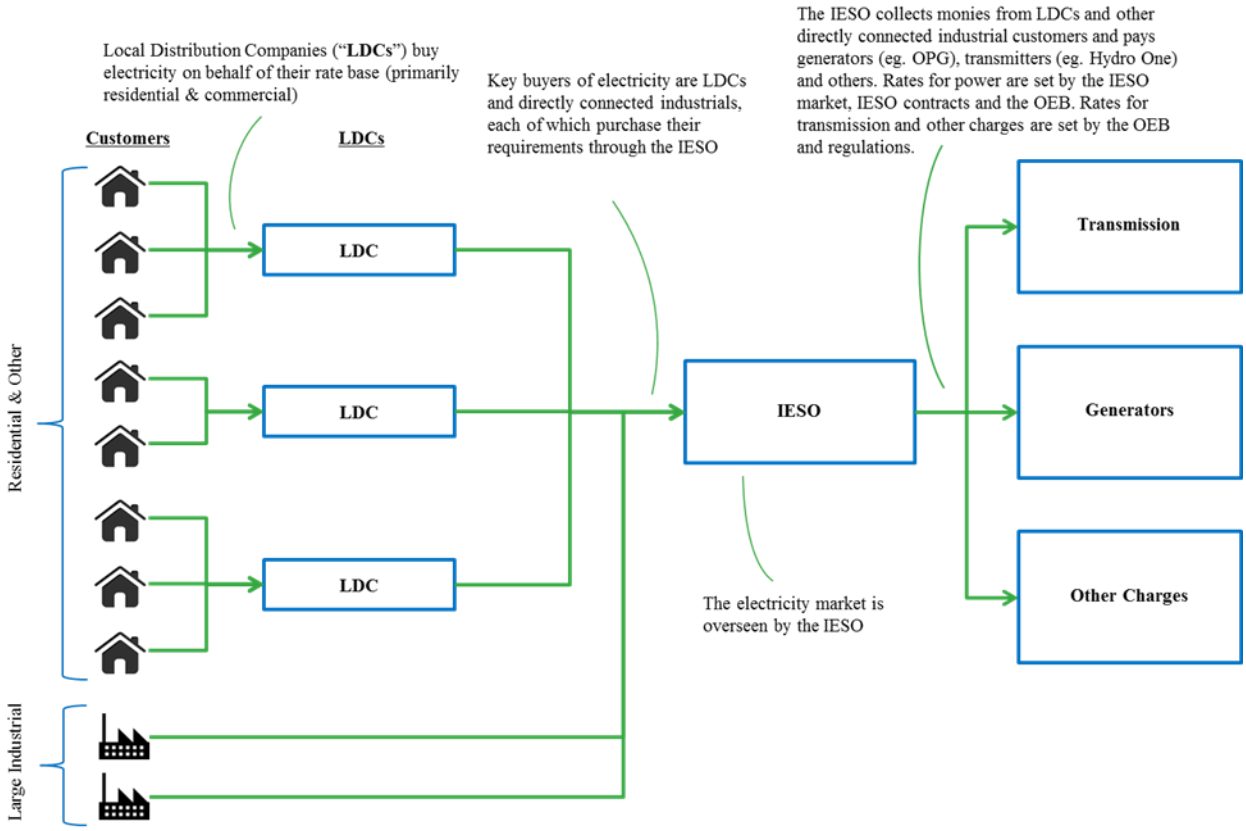
(f) to promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Ontario government, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The OEB is responsible for, among other things, approving transmission and distribution rates in Ontario, as well as payment amounts for OPG's nuclear and hydroelectric generation. It also approves the construction, expansion, or reinforcement of transmission lines greater than two kilometres in length, as well as mergers, acquisitions, amalgamations and divestitures affecting regulated assets and regulated entities, such as distributors and transmitters. The activities of transmitters and distributors are subject to the conditions of their transmission and distribution licenses, as applicable, which require compliance with a number of industry codes issued by the OEB, as well as with the market rules that are administered by the IESO. These codes and other requirements prescribe minimum standards of conduct and service for licensed participants in the electricity market.

Electricity Vendors

As part of the restructuring of Ontario's electricity industry, the province's municipally-owned electricity distributors were reorganized into separate business corporations. These distributors are typically referred to in Ontario as local distribution companies, or "**LDCs**". An LDC is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors. A service territory may cover large portions or all of a particular municipality, or an otherwise-defined geographic area. Distribution customers include residential, commercial and industrial end-users, as well as institutions such as governments, schools and hospitals. At multi-unit buildings within an LDC's service territory, there may be a unit sub-metering service provider that provides metering services for each individual unit. These sub-metering service providers are also licensed by the OEB.

The following diagram depicts the flow of funds between the key industry participants:



See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding LDCs.

Electricity Prices

There are two main components that make up the commodity cost of electricity in Ontario, the Hourly Ontario Energy Price ("**HOEP**") and the global adjustment charge.

- The HOEP is set by the IESO based on bids and offers in the real-time energy market that is administered by the IESO.

- The global adjustment charge is established monthly by the IESO in accordance with regulations and is the amount of money necessary to pay certain other costs to generators and other suppliers that are not compensated by the HOEP, including the cost of energy supply contracts with generators and payments made to OPG pursuant to OEB-established payment amounts.

Prior to the FHPA being passed, the amount collected generally over an annual basis by the IESO on account of the HOEP and global adjustment charge was approximately equal to the IESO's current payables to generators and other electricity resource suppliers, subject to certain periodic true-ups, fees and adjustments to keep the IESO whole.

At the request of the Minister of Energy in 2004, the OEB created the "**Regulated Price Plan**" or "**RPP**", which establishes time-of-use and tiered prices primarily for residential, farm and small commercial customers. Prior to the introduction of the FHPA, the RPP prices were reviewed and changed every six months by the OEB based on an updated forecast and any accumulated differences between the amounts collected from RPP consumers and the amount paid to generators in previous periods. RPP prices are now established in accordance with the FHPA. Most

Specified Consumers are billed for electricity based on the Regulated Price Plan, although some Specified Consumers may be invoiced the HOEP and the global adjustment charge by their LDC for electricity they have consumed. The IESO has also stated that there is one Specified Consumer connected directly to the transmission system and settled by the IESO, not an LDC.

While most residential and small commercial consumers in Ontario choose to purchase their electricity under the RPP, consumers in Ontario may instead choose to buy their electricity from an OEB-licensed retailer pursuant to a retail contract that provides a rate for electricity over a specified period. These customers are also required to pay the global adjustment charge in addition to the rate under their retail contract.

In addition to the HOEP and global adjustment charges, or RPP prices, as the case may be, electricity consumers pay a number of other uplifts and charges, such as transmission and distribution tariffs.

ONTARIO'S FAIR HYDRO PLAN

Background

On June 1, 2017, the Ontario Legislature passed the FHPA. From July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms) will in effect be the rate that would result in a representative consumer being charged an invoice amount that is 25%[3] less than the rate that would otherwise have been determined by the OEB for that period absent Ontario's Fair Hydro Plan (such adjustment, together with the further adjustments described below in this section, the "**Fair Adjustment**").

Under the FHPA, a "**Specified Consumer**" is:

(a) a person who has an account with an Electricity Vendor for the supply of electricity in the Province of Ontario and meets any one of the following criteria:

(i) the person has a demand for electricity of 50 kilowatts or less, or such other amount as may be prescribed by the Regulations;

(ii) the person annually uses not more than 250,000 kilowatt hours of electricity, or such other amount as may be prescribed by the Regulations;

(iii) the person carries on a business that is a farming business for the purposes of the *Farm Registration and Farm Organizations Funding Act, 1993* and either holds a valid registration number assigned under that Act or has had the obligation to file a farming business registration form waived pursuant to an order made under subsection 22(6) of that Act;

(iv) the person's account with the Electricity Vendor relates to

(A) a dwelling;

(B) a property within the meaning of the *Condominium Act, 1998*;

(C) a residential complex within the meaning of subsection 2(1) of the *Residential Tenancies Act, 2006*, without regard to section 5 of that Act; or

(D) a property that includes one or more housing units and that is owned or leased by a co-operative within the meaning of the *Co-operative Corporations Act*; or

[3] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government.

(v) the person satisfies such criteria as may be prescribed by the Regulations; or

(b) such other person as may be prescribed by the Regulations.

Electricity bills for Specified Consumers for the period between May 1, 2018 and April 30, 2019 are to increase by the rate of inflation (or remain unchanged in the event inflation is negative). Permitted increases after April 30, 2019 will be determined by the Ontario government through additional regulations, though the Ontario government has indicated that rate increases will be held to the rate of inflation until 2021.

Under the FHPA, OPG is appointed as Financial Services Manager and given the authority to, among other things, establish, or cause to be established, one or more Financing Entities to incur Funding Obligations to fund the acquisition of an Investment Interest. The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations under the FHPA.

Regulatory Asset

Under the FHPA, each month the IESO determines the shortfall that results from the Fair Adjustment as compared to what the IESO would have been entitled to receive without the Fair Adjustment and records this amount, together with the costs of financing the shortfall, the amounts charged to the IESO by the Issuer in respect of the Carrying Costs of the Issuer, when applicable, and certain other amounts in a variance account. The IESO has the right, exercisable in accordance with the FHPA, to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). The FHPA provides that the OEB shall, from time to time and in accordance with the Regulations, determine and set rates payable by Specified Consumers to allow for the IESO to recover the balance recorded in the variance account and that 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. The IESO may, in accordance with the FHPA, Transfer a specified portion of the Regulatory Asset to a Financing Entity for a cash purchase price equal to the amount recorded in the variance account in respect of such specified portion of the Regulatory Asset. Upon receipt by the IESO of payment by the Financing Entity, the IESO retains no further right, title or interest in the corresponding Investment Interest.

Investment Interest

By acquiring an Investment Interest, the Financing Entity is financing a portion of the shortfall that gives rise to the Regulatory Asset and, as an owner of the Investment Interest, will be entitled to recover its Finance Amount (the costs of such financing). While a Financing Entity may choose to acquire an Investment Interest by accepting a Transfer of the corresponding specified portion of a Regulatory Asset, it is under no obligation to do so.

If the IESO and a Financing Entity agree to the Transfer of a specified portion of the Regulatory Asset from the IESO, such Transfer results in the creation of a current and irrevocable property right that is immediately vested in the Financing Entity, free and clear of any adverse claim (such right, the "**Investment Asset**", and an ownership interest therein, an "**Investment Interest**"). The Investment Asset consists, collectively, of the following rights and interests of Financing Entities that own an Investment Interest (among other things):

(a) the right and interest to impose, invoice, collect, receive and recover the Clean Energy Adjustment from Specified Consumers, including the right to determine the Clean Energy Adjustment in accordance with the FHPA;

(b) the right to receive, collect and recover the Clean Energy Adjustment that is imposed, invoiced and recoverable under the FHPA, including any amounts in respect of the Clean Energy Adjustment that are held by Electricity Vendors or the IESO;

(c) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor to impose, attribute, charge and invoice for the Clean Energy Adjustment;

(d) the right to enforce the duties and obligations under the FHPA of each Electricity Vendor and the IESO to collect, receive and remit amounts received by it in respect of the Clean Energy Adjustment,

including all collections and the proceeds of any enforcement action undertaken by any Electricity Vendor to recover payment of the Clean Energy Adjustment;

(e) all rights of any kind related to any of the other property rights or interests that comprise the Investment Interest; and

(f) all revenue, collections, claims, payments, money and proceeds of or derived from the rights described in paragraphs (a) to (e), regardless of whether it is invoiced, collected and maintained together with or commingled with other revenue, collections, claims, payments, money and proceeds.

Clean Energy Adjustment

The "**Clean Energy Adjustment**" is the amount calculated in accordance with the FHPA and payable by Specified Consumers to cover the cost of financing the shortfall that gives rise to the Regulatory Asset. The Financial Services Manager will determine the amount of the Clean Energy Adjustment payable by Specified Consumers for each month of a Reference Period. The Clean Energy Adjustment is based on an estimate of the amount payable by a Financing Entity in a Reference Period in respect of the Finance Amount and the True-up Amount (each as described below).

The "**Finance Amount**" in respect of the Issuer for a period of time is an amount determined by the Financial Services Manager as follows:

(a) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts paid or payable during the period in respect of the payment by or on behalf of the Issuer or the provision by or on behalf of the Issuer for the payment of all or a portion of the principal amount advanced to the Issuer under a Funding Obligation;

(ii) interest, commitment fees or other similar costs payable by or on behalf of the Issuer in respect of Funding Obligations that are paid or payable during the period;

(iii) amounts payable by or on behalf of the Issuer to redeem, prepay or repurchase Funding Obligations incurred by or on behalf of the Issuer, including any premium, make-whole or other amount payable to give effect to the prepayment redemption or repurchase, that are paid or payable during the period;

(iv) payments required to be made in respect of any derivative agreements during the period, including ordinary course payments, payments on termination and payments made in connection with margining or collateral arrangements;

(v) amounts deposited, as required under the governing documents of Funding Obligations, into capital accounts or finance reserve accounts during the Reference Period;

(vi) Issuer expenses, including fees (including fees charged by the Financial Services Manager), charges, costs, indemnities, reimbursements and other amounts incurred or committed to by or on behalf of the Issuer as a result of an activity authorized or permitted under the FHPA, and any taxes on such amounts, in each case that are paid or payable during the period;

(vii) taxes paid or payable by or on behalf of the Issuer, incurred directly or indirectly by the Issuer , or for which the Issuer is otherwise liable as a result of any activity, undertaking, transaction or event authorized or permitted under the FHPA that are payable during the period; and

(viii) amounts paid or payable by or on behalf of the Issuer during the period to any guarantor or surety that made a payment of an amount due and payable under a Funding Obligation, including pursuant to a guarantee, indemnity, contract of insurance or agreement entered into under subsection 5(2) or (3) of the FHPA;

(b) after eliminating any duplication in the following amounts, calculating the sum of the following amounts:

(i) amounts withdrawn, as required under the governing documents of Funding Obligations, from capital accounts or finance reserve accounts during the period;

(ii) amounts received during the period in respect of Carrying Costs;

(iii) the aggregate of all amounts received by or on behalf of the Issuer in respect of Funding Obligations during the period;

(iv) the principal amount of Funding Obligations incurred by the Issuer that are applied to refinance existing Funding Obligation during the period;

(v) any payments received in connection with a derivative agreement, including ordinary course receipts, payments received on termination and payments received in connection with margining or collateral arrangements, in each case during the period;

(vi) amounts received by or on behalf of the Issuer as a refund of tax during the period; and

(c) subtracting the sum calculated under (b) from the sum calculated under (a).

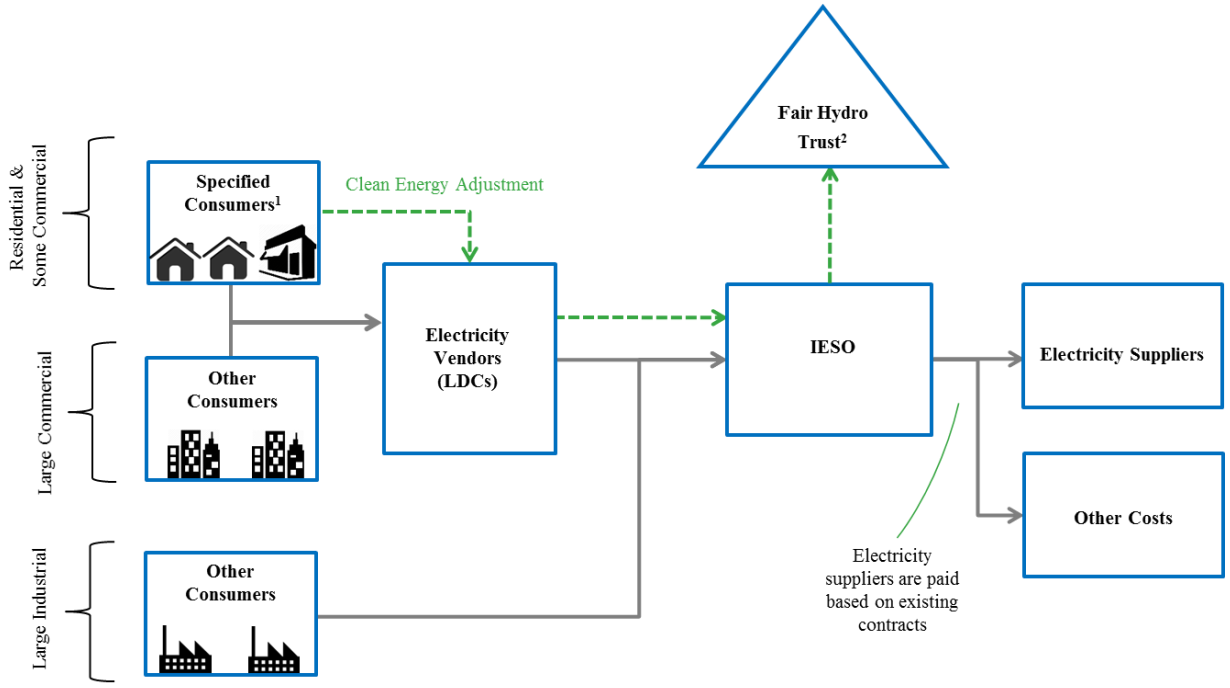
In determining the Clean Energy Adjustment, the Financial Services Manager must also calculate a "**True-up Amount**" in accordance with the Regulations. The True-up Amount is comprised of the cumulative Finance Amounts in respect of all preceding Reference Periods less the cumulative Clean Energy Adjustment amounts remitted to the Issuer in respect of all preceding Reference Periods plus other anticipated shortfalls. The True-up Amount will also reflect any historical and reasonably foreseeable differences between the estimated and actual Finance Amount; 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. 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. The Regulations obligate the Financial Services Manager to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not been paid in full. After the final scheduled payment date of the Funding Obligation that has the latest maturity date of all outstanding Funding Obligations, the Financial Services Manager will calculate the True-up Amount quarterly. 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 a Reference Period.

The Financial Services Manager must notify the OEB of the Clean Energy Adjustment for each Reference Period. The OEB must accept this amount and will determine the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed as a cent per kWh amount and are determined by the OEB by dividing (i) the Clean Energy Adjustment provided by the Financial Services Manager in respect of the relevant period by (ii) a forecast of electricity consumption of Specified Consumers in respect of such period based on forecast information provided by the IESO. Electricity Vendors are required to invoice their Specified Consumers for the Clean Energy Adjustment, as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice. Electricity Vendors are required to collect, as agent of the Financing Entities (of which the Issuer is currently the only one), amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, and hold such amounts in trust for the benefit of the Financing Entities (of which the Issuer is currently the only one) until remitted

to the IESO for the benefit of the Financing Entities (of which the Issuer is currently the only one). If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate any payment received to the Clean Energy Adjustment and the other amounts payable under the particular invoice in the manner set out in the FHPA. It is a deemed condition of their licenses that Electricity Vendors comply with their obligations under the FHPA.

An amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of such Specified Consumer's indebtedness resulting from the Clean Energy Adjustment and is irrevocable upon invoicing and may not be set off or bypassed, except to the extent that the invoice reflects a clerical, typographical or calculation-related error. Commencing May 1, 2021, a charge in respect of 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 Senior Notes and all other administrative and other financing expenses of the Issuer. From July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, the sole source of funds for payment on the Senior Notes, and the Issuer's other Carrying Costs, will be the amounts the IESO is obligated to pay to the Issuer under the Regulations during such period. See *"— IESO Payment of Carrying Costs during the Moratorium Period"* below. Once it starts being included on such invoices, the Clean Energy Adjustment will be collected until all outstanding Funding Obligations and other Finance Amounts have been repaid in full. Subject to the FHPA, the Clean Energy Adjustment will be collected and remitted to the Issuer to pay the Finance Amount, including the principal and interest on the Senior Notes and all other administrative and other financing expenses of the Issuer.

The following diagram illustrates the flow of funds under the Fair Hydro Plan.



[1] There is currently one Specified Consumer that is directly connected to the IESO and, accordingly, makes payments, including in respect of the Clean Energy Adjustment, once applicable, directly to the IESO.

[2] Pursuant to the Master Transfer and Servicing Agreement, the IESO may periodically Transfer specified portions of the Regulatory Asset to the Issuer for a corresponding purchase price. Upon completion of a Transfer by the IESO of a specified portion of the Regulatory Asset following payment by the Issuer of the corresponding purchase price, the Issuer will acquire an Investment Interest.

Fair Allocation Amount and Financing Plan

The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future Specified Consumers; (ii) recognize that Clean Energy Benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. Under the FHPA, the Minister of Energy calculates a "**Fair Allocation Amount**", which is an amount for every Reference Period that, among other things, allocates the estimated Clean Energy Costs in proportion to the relative attribution of Clean Energy Benefits among Specified Consumers. Under the FHPA, the Minister of Energy is responsible for determining the Fair Allocation Amount prior to the incurrence of the first Funding Obligation. The Fair Allocation Amount may be changed from time to time in accordance with the FHPA, provided that no change of the Fair Allocation Amount shall affect any Clean Energy Adjustment that arises as a result of a Funding Obligation that has been incurred prior to such change.

OPG, as Financial Services Manager, is required to prepare a Financing Plan to evaluate whether and when potential Funding Obligations should be incurred by a Financing Entity to acquire an Investment Interest or for the purposes of a Refinancing. The Financial Services Manager is required to prepare the Financing Plan having regard to certain prescribed principles, including that Funding Obligations should be incurred 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 as of the date the Funding Obligations were incurred. 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. Notwithstanding the above, the FHPA provides that each Funding Obligation that is issued 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.

The Financing Plan allows for the issuance of a variety of short and long term debt. See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Financing Plan and the Fair Allocation Amount.

Payment of Carrying Costs until July 31, 2021

Commencing May 1, 2021, a charge in respect of 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 Senior Notes and all other administrative and financing expenses of the Issuer. The IESO, which is rated A(high) by DBRS and Aa2 by Moody's, is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its Carrying Costs incurred in respect of the period from June 1, 2017 to July 31, 2021. Carrying Costs include all funding costs (such as interest on the Senior 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 Senior Notes). The amounts paid by the IESO to the Issuer to fund these Carrying Costs will be recorded by the IESO in the variance account and form part of the Regulatory Asset that the IESO is expected to Transfer to the Issuer in a subsequent period. Upon such Transfer, the Issuer will acquire a corresponding Investment Interest pursuant to the FHPA.

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 following receipt of the Issuer's statement, the IESO is required to deliver the amount specified in the carrying costs statement to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring September 30, 2022, which is permitted to be used by the IESO to pay the Carrying Costs to the Issuer. Furthermore, as security for the performance of its obligations under the Regulations to pay the Carrying Costs to the Issuer, the IESO has granted the Issuer a first-priority security interest in all accounts receivable owing to the IESO from Electricity Vendors, including amounts owing with respect to the global adjustment charge. See *"The Transferor and Servicer"*.

Other Statutory Protections

The FHPA provides certain protection and assurances in respect of the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment. Generally, no action or omission by the OEB, the Minister of Energy or the Crown, and no regulation under the FHPA, will be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. If an Electricity Vendor, the IESO or the Financial Services Manager, has failed, or will fail, to comply with the FHPA, the Issuer may apply to an Ontario court to make an order directing such party to comply and requiring compensation to be provided to the Issuer by such non-compliant party. Additional contractual protections are provided in the Change of Law Protection Agreement described below.

CHANGE OF LAW PROTECTION AGREEMENT

The following brief summary of certain provisions of the Change of Law Protection Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Change of Law Protection Agreement are qualified in their entirety by reference to the Change of Law Protection Agreement and the detailed provisions thereof. The Change of Law Protection Agreement may be reviewed at the principal office of the Manager in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Pursuant to the Change of Law Protection Agreement, upon a Protection Event and delivery by the Indenture Trustee of a written payment demand, the Province of Ontario is required to make payments of amounts that are due and payable in respect of all Approved Obligations when due and payable into the Protection Account. The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay Specified Creditors to whom amounts are due and payable under an Approved Obligation in accordance with the provisions of the Master Trust Indenture. See *"Capital Markets Platform"*. The Province of Ontario's obligation to make such payments under the Change of Law Protection Agreement upon a Protection Event and delivery by the Indenture Trustee of a written payment demand is referred to as the "**Limited Guarantee**".

The payment obligations of the Province of Ontario under the Limited Guarantee differ depending on whether an Acceleration has occurred. If no Acceleration has occurred in respect of any Senior Notes on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Change of Law Protection Agreement provides that the Province of Ontario is to pay the amounts due and payable on such date in respect of Approved Obligations. If an Acceleration has occurred in respect of any Senior Notes on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Province of Ontario is to pay the amounts that would be available to be paid on such date in respect of the Approved Obligation on an applicable payment date in respect of the Approved Obligation under the applicable payment provisions of the Master Trust Indenture, determined on the assumption that the amount available for allocation to Specified Creditors in accordance with such applicable payment provisions of the Master Trust Indenture in respect of each relevant month during each Reference Period is equal to the estimated Finance Amount determined in respect of such Reference Period, divided by the number of months in such Reference Period. See *"Capital Markets Platform — Acceleration and Remedies — Limitation on Available Amounts on Acceleration"* for a description of the amounts that would be available to be paid under the Master Trust Indenture in such circumstances.

The Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include payments of amounts that are due and payable in respect of the Senior Notes).

Under the Change of Law Protection Agreement, the right to deliver a written payment demand on occurrence of a Protection Event to enforce the Limited Guarantee is the only remedy available to the Indenture Trustee (and to Specified Creditors, to the extent they are permitted to exercise any rights, interests or elections under and in accordance with the Master Trust Indenture). Specified Creditors are not permitted to exercise any rights, interests, or elections under the Change of Law Protection Agreement, other than in the manner and to the extent effected and exercised under, in accordance with and subject to the limitations set forth in the Master Trust Indenture as at December 21, 2017.

In connection with the provision of the Limited Guarantee, OPG, as Financial Services Manager, has entered into a process agreement with the Province of Ontario pursuant to which OPG is required to satisfy certain reporting and other requirements regarding the Issuer's incurrence of, and material amendments to, any Issuer Funding Obligations.

Protection Event

Each of the following constitutes a "**Protection Event**" under the Change of Law Protection Agreement:

(a)

(i) the Ontario 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;

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

(iii) the Lieutenant Governor in Council repeals, and does not replace on an equivalent basis, the regulations made under the Act or any portion thereof, in whole or in part, as in effect on the date hereof;

(iv) 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; or

(v) 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 of Ontario or an entity controlled by the Province of Ontario,

in each case, that (X) adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in any of clauses (i) to (v) above, or (Y) adversely affects the enforceability of, or adversely changes, the terms and conditions of the Change of Law Protection Agreement or of any of the agreements under which Approved Obligations arise; or

(b) a court of competent jurisdiction determines that all or a portion of the Act, as in effect on the date hereof, is *ultra vires* or invalid in a way that adversely affects the ability of the Issuer to receive amounts in respect of its Investment Interest so that it can pay Approved Obligations when due and payable and that has the effect of the Issuer not in fact having sufficient funds to pay such Approved Obligations that have become due and payable, in each case determined after taking into account and having regard to (i) any funds available at such time to apply to such Approved Obligations, including in any finance reserve account, capital account or collateral posting account applicable under a derivative agreement, (ii) the availability of any credit enhancement agreement to which the Issuer is a party and (iii) any reasonably expected potential effect of a True-up Amount in the Reference Period immediately following the occurrence of an event described in this paragraph (b).

The occurrence of a Protection Event in and of itself will not result in the acceleration of the Senior Notes.

On a Protection Event and payment by the Province of Ontario of amounts in respect of Approved Obligations that are due and payable into the Protection Account, such deposited amounts are applied by the Issuer and Indenture Trustee in the priority of payments governed by the Master Trust Indenture.

Upon the Province of Ontario's payment of amounts in respect of Approved Obligations that are due and payable into the Protection Account, the Province of Ontario will be subrogated and entitled to all of the rights of applicable Specified Creditors (including Noteholders) under and in respect of the Approved Obligations to the extent of the amounts paid. Applicable Specified Creditors in respect of whom amounts were deposited into the Protection Account will not have continuing rights, interests or entitlements (including rights as a secured party) in respect of Approved Obligations to the extent so paid; the Province of Ontario will be the absolute assignee of such rights. The Province of Ontario will have the right to be paid from the Issuer the amounts that the Province of Ontario paid in respect of the Approved Obligations ("**Subrogation Amounts**"), such Subrogation Amounts being payable in the same order of priority and with the same entitlements accruing to the Province of Ontario as applied to the amounts in respect of the Approved Obligations previously owing to Specified Creditors that the Province of Ontario has paid. The Province of Ontario will also be entitled to the benefit of the Collateral and proceeds therefrom to the extent of the amounts paid under the Limited Guarantee.

As payee of Subrogation Amounts, the Province of Ontario will be a Specified Creditor under the Master Trust Indenture. Further, the entitlements of the Province of Ontario to Subrogation Amounts arising in respect of Approved Obligations that are interest and principal obligations on Notes will be treated for all purposes of the Master Trust Indenture as interest and principal obligations, respectively, arising under Notes, having the same priority and any applicable voting rights as under the related Approved Obligations, and accordingly the Province of Ontario will be entitled to all of the rights, entitlements, interests and privileges of a holder of such Notes in accordance with the Master Trust Indenture, as supplemented by the supplemental indenture or other indenture document under which the related Approved Obligations were issued, provided that for purposes of determining voting rights with respect to Notes, Notes in which the Province of Ontario has an interest will be deemed not to be outstanding at any time that a Specified Creditor other than the Province of Ontario has an interest in such Class of Notes.

Approved Obligations & Adherence Conditions

Under the Management Agreement, the Manager is required to ensure that all obligations of the Issuer are and remain Approved Obligations under the Change of Law Protection Agreement.

An "**Approved Obligation**" under the Change of Law Protection Agreement means: (i) a Certified Primary Obligation if the adherence conditions applicable thereto have been satisfied at the time such obligation was incurred; (ii) all other Primary Obligations that are not Certified Primary Obligations (except any Primary Obligation to which the Limited Guarantee will not apply on or after delivery of a Suspension Notice as described below); and (iii) all Certified Primary Obligations that the Province of Ontario, in its sole discretion, designates in writing is an Approved Obligation.

It will be a condition to any Offering of Senior Notes that such Senior Notes constitute Approved Obligations under the Change of Law Protection Agreement.

A "**Primary Obligation**" under the Change of Law Protection Agreements means any Obligation Secured under the Master Trust Indenture (i) that is a Funding Obligation or (ii) that otherwise is a payment obligation of the Issuer that gives rise to a Finance Amount, in each case other than (x) any amounts required to be deposited by or on behalf of the Issuer into any capital account or finance reserve account; and (y) any obligation to pay the Issuer or on the Issuer's direction any remaining amounts in the Collection Account pursuant to the Master Trust Indenture.

A "**Certified Primary Obligation**" means a Primary Obligation: (i) incurred by or on behalf of the Issuer to fund its ownership of an Investment Interest, including any Refinancing, other than a Post-Suspension Refinancing or a Pre-Approved Refinancing (each as defined below), of such a Primary Obligation (for greater certainty, including, in the case of any Certified Primary Obligation permitting funding transactions pursuant to a Funding Obligation Agreement applicable to the Certified Primary Obligation, each individual borrowing or funding utilization thereunder), (ii) incurred by or on behalf of the Issuer upon the Issuer entering into a derivative agreement, in which case the Certified Primary Obligation therefor shall be the Master Agreement applicable to such derivative agreement and not any individual trade confirmation other than a trade confirmation that modifies or purports to override the express terms or conditions of the related Master Agreement, or (iii) incurred by or on behalf of the Issuer upon entering into a contract that has a term of more than three (3) years which is not terminable by the Issuer giving three (3) years' notice or less and expected (as determined by the Manager, acting reasonably) aggregate payments by the

Issuer thereunder during the term of such contract are or would be in excess of $5,000,000 (that, for greater certainty, is not otherwise captured in clauses (i) and (ii) above).

The Limited Guarantee shall apply to all Certified Primary Obligations that meet the following adherence conditions:

(a) the Certified Primary Obligation when incurred is an Obligation Secured under the Master Trust Indenture;

(b) OPG, as Financial Services Manager, delivers a certificate to the Indenture Trustee on or before the incurrence of such obligation certifying, among other things, that OPG has delivered a certificate to the Province of Ontario confirming that OPG has complied with all of its obligations to the Province of Ontario and internal requirements and processes in connection with the adherence of the Limited Guarantee to the Certified Primary Obligation (an "**Adherence Compliance Certificate**"); and

(c) the Province of Ontario has not provided a Suspension Notice to the Indenture Trustee, OPG and the Issuer.

All Senior Notes shall constitute Obligations Secured under the Master Trust Indenture and therefore condition (a) above will be satisfied for all Offerings of Senior Notes. It will be a condition to any Offering of Senior Notes that OPG deliver the adherence certificate required pursuant to (b) above or that the Province of Ontario designates in writing that the Senior Notes are Approved Obligations. The Change of Law Protection Agreement provides that delivery of an adherence certificate shall be determinative of satisfaction of this adherence condition, notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defective or deficient, and such certificate may be relied upon as conclusive evidence of same.

Suspension Notice & Post-Suspension Refinancings

The Change of Law Protection Agreement will remain in full force and effect until the indefeasible payment, observance and performance in full of the Approved Obligations, including the Senior Notes.

However, in the following limited circumstances, the Province of Ontario may deliver a written notice (a "**Suspension Notice**") to the Indenture Trustee, the Financial Services Manager and the Issuer:

(a) an acceleration of Funding Obligations in accordance with the provisions of the Master Trust Indenture or an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement;

(b) a default in the performance, or breach, of any covenants of OPG, as Financial Services Manager, or OPG, in its corporate capacity, in each case to the Province of Ontario in connection with its obligations to the Province of Ontario pursuant to internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligation and the expiration of any applicable cure period;

(c) a representation or warranty made by OPG or a certification made by one or more officers of OPG, in each case whether as Financial Services Manager or in its corporate capacity, to the Province of Ontario in connection with its obligations to the Province of Ontario and its internal requirements and processes in connection with the provision or adherence of the Limited Guarantee to or in respect of any Certified Primary Obligations, proves to be incorrect in any material respect on the date made and the expiration of any applicable cure period; or

(d) the Financial Services Manager no longer being the Manager or actions having been taken by or on behalf of the Indenture Trustee to remove the Financial Services Manager as the Manager;

If a Suspension Notice has been provided under the Change of Law Protection Agreement (the provision of such notice being a "**Suspension Event**"), the Limited Guarantee shall not apply in respect of: (i) any Primary Obligation incurred, excluding any Post-Suspension Refinancing, or (ii) any amendment of any Primary Obligation that has a Material Effect, unless otherwise agreed to by the Province of Ontario, in each case, on or after the time such Suspension Notice is delivered.

Following the occurrence of a Suspension Event, the Limited Guarantee shall continue to apply in respect of any Post-Suspension Refinancing; provided that prior to the Financing Entity incurring any Primary Obligation constituting a Post-Suspension Refinancing, the Manager shall provide the Province of Ontario with at least 30 days' notice of its intention to seek a Post-Suspension Refinancing and during such 30-day period the Province of Ontario may, but is not obligated to, offer to fund such Post-Suspension Refinancing or arrange for another Person to fund such Post-Suspension Refinancing on the same terms as set out in the notice or on such other terms as may be considered by the Province of Ontario to be not more onerous on the Financing Entity and that are acceptable on that basis to the Financing Entity, acting reasonably.

A "**Post-Suspension Refinancing**" means a Funding Obligation that is an Obligation Secured and that is incurred on or after the occurrence of a Suspension Event in compliance with the requirements of the Change of Law Protection Agreement, as a Refinancing of one or more Series of Approved Obligations (including any Pre-Approved Refinancing incurred on or after the occurrence of a Suspension Event), in each case the proceeds of which, together with any other funds that may be available, are used solely for the purpose of paying in full such Series of Approved Obligations and any costs and expenses associated with such Refinancing.

A "**Pre-Approved Refinancing**" means a Refinancing of a Certified Primary Obligation in respect of which the Province of Ontario has, prior to the incurrence of such Certified Primary Obligation, agreed shall be an Approved Obligation, subject to compliance with such conditions and requirements as may be specified in such agreement.

A "**Material Effect**" means a material adverse effect on the obligations or the rights of the Province of Ontario under the Limited Guarantee that relates to, and in each case, differs in any material respect from the terms or conditions applicable to any transaction document to which the Limited Guarantee applies and which was previously provided to the Province of Ontario, the following: (i) the timing of or circumstances under which Primary Obligations would or may become due or accrue (including as a result of any default, acceleration, termination, wind-up, liquidation or realization) that, in each case, is inconsistent with the Fair Allocation Amount; (ii) the appointment, obligations or duties of OPG as the Manager; (iii) the existence, powers or authority of the Issuer or the Issuer Trustee; (iv) the obligations of the Indenture Trustee to or in respect of the Province of Ontario as a Specified Creditor; (v) the payment provisions and associated priorities set forth in the Master Trust Indenture; (vi) compliance by the Financial Services Manager with the then applicable Financing Plan; (vii) compliance by the Financial Services Manager or the Issuer with the FHPA; or (viii) the Province of Ontario's rights of subrogation or assignment or its interests as a subrogee or an assignee, that would arise as a result of performing the Limited Guarantee in respect of the applicable Primary Obligation.

Accordingly, notwithstanding delivery of a Suspension Notice, the Limited Guarantee shall continue to apply to: (i) any Approved Obligations that were incurred prior to the Suspension Event and (ii) any Funding Obligations incurred by the Issuer following a Suspension Event if the terms and conditions of the Change of Law Protection Agreement are satisfied and the proceeds of such incurrence are to be used for the purpose of repaying one or more series of Approved Obligations. Accordingly, subject to compliance with the Change of Law Protection Agreement, any Senior Notes or other Funding Obligations that may be issued following a Suspension Event to refinance Senior Notes that were issued prior to a Suspension Event will continue to have the benefit of the Limited Guarantee.

THE ISSUER

The Issuer is an unincorporated open-ended unit trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The Issuer Trustee is the sole trustee of the Issuer, which is a Financing Entity established to incur Funding Obligations for the purpose of acquiring Investment Interests pursuant to the FHPA. The principal business address and head office of the Issuer is in Ontario, in the care of the Issuer Trustee at the following address: 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1.

The following brief summary of certain provisions of the Declaration of Trust does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Declaration of Trust are qualified in their entirety by reference to the Declaration of Trust and the detailed provisions thereof. The Declaration of Trust may be reviewed at the principal office of the Manager in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The Declaration of Trust establishes the Issuer to carry on activities for the exclusive benefit of its unitholders, FHP2017 Inc., a wholly-owned subsidiary of OPG, and BNY Trust Company of Canada, the Indenture Trustee under the Master Trust Indenture (collectively, the "**Unitholders**"). The beneficial interest and rights generally of the Unitholders in the Issuer are limited to the right to participate in distributions when and as declared by the Issuer Trustee and distributions upon the termination of the Issuer. The legal ownership of the trust property and the right to conduct the activities of the Issuer are vested exclusively in the Issuer Trustee and no Unitholder has any right of ownership in any of the trust property. Except in limited circumstances provided in the Declaration of Trust, no Unitholder is entitled to interfere with or give any direction to the Issuer Trustee with respect to the affairs of the Issuer or in connection with the exercise of any powers or authorities conferred upon the Issuer Trustee under the Declaration of Trust. The Issuer Trustee will generally have, free from any power or control on the part of the Unitholders, full authority over the trust property and the activities of the Issuer to the same extent as if the Issuer Trustee were the sole and absolute owner thereof. The Unitholders will also not be subject to any liability arising out of the activities of the Issuer.

The Issuer Trustee, on behalf of the Issuer, has entered into a management agreement with OPG, as Manager, whereby all of the powers and duties of managing the Issuer have been delegated to the Manager. See *"The Manager."*

The permitted activities of the Issuer are limited to:

(a) acquiring, owning, holding, administering or entering into agreements regarding the acquisition and servicing of Investment Interests, along with certain other related assets;

(b) managing, selling, assigning, pledging and collecting amounts due on or otherwise dealing with Investment Interests and certain other related assets in accordance with the terms of the Program Agreements;

(c) negotiating, authorizing, executing, delivering, assuming the obligations under and performing its duties under the Program Agreements;

(d) filing with any applicable securities commission one or more prospectuses, offering memoranda, registration statements or documents necessary or desirable to register one or more series of Funding Obligations under the securities laws of any applicable jurisdiction;

(e) authorizing, executing, delivering, issuing and registering one or more series of Funding Obligations;

(f) making payments on Funding Obligations;

(g) pledging its interest in Investment Interests and related assets to the Indenture Trustee in order to secure Funding Obligations; and

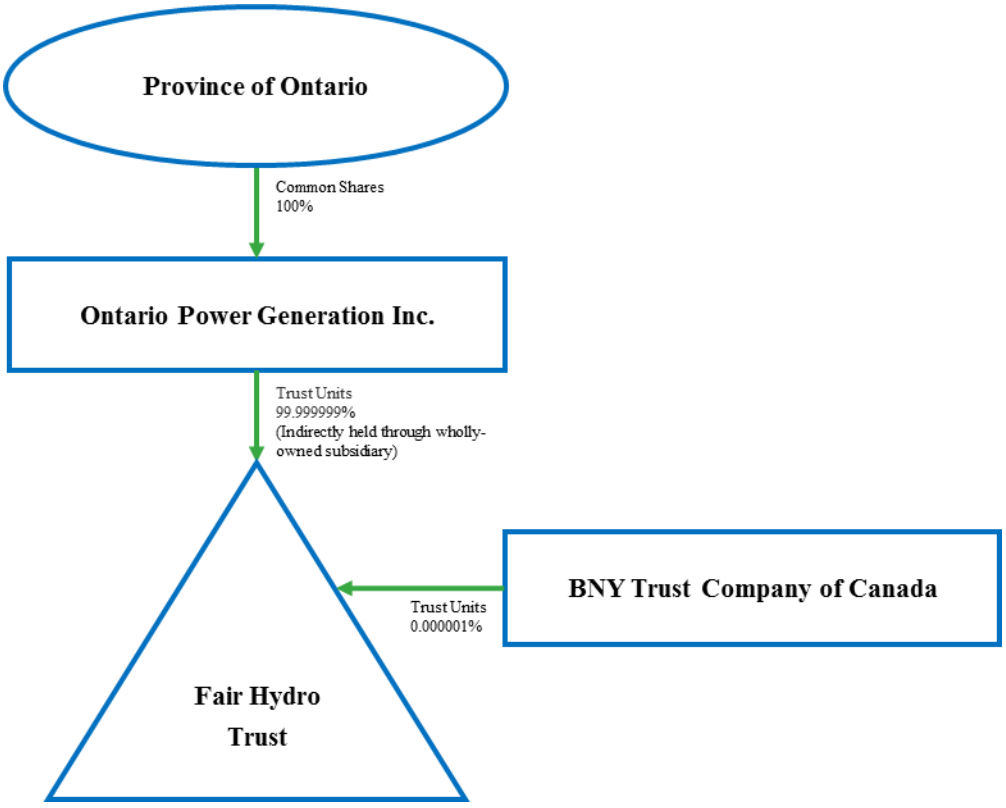
(h) engaging in any lawful act or activity that is incidental to the above-mentioned purposes.

The Issuer Trustee may amend the Declaration of Trust under specified circumstances without the consent of Unitholders provided (i) the amendment will not materially adversely affect the interest of any Unitholder, unless that Unitholder has approved of the amendment in writing, and (ii) in respect of any material amendment, the Rating Agency Condition has been satisfied. The Issuer Trustee is required to provide the Rating Agencies and the Indenture Trustee with a copy of any amendment, variation, supplement, replacement or restatement of the Declaration of Trust.

The consent of the Indenture Trustee, in addition to all other Unitholders, will be required to wind up the Issuer or voluntarily institute or consent to insolvency proceedings against the Issuer while any Funding Obligations remain outstanding. The Issuer Trustee may be removed by the Unitholders at any time by notice in writing delivered to the Issuer Trustee not less than 90 days prior to the date such removal is to take effect. The Issuer Trustee may also be removed by the Unitholders with no prior written notice if it becomes bankrupt or insolvent or it is unable to exercise its duties under the Declaration of Trust. The Issuer Trustee may resign on 120 days' prior written notice to the Unitholders, the Indenture Trustee and the Rating Agencies. No such resignation will be effective until a replacement issuer trustee acceptable to the Unitholders and the Indenture Trustee has been appointed and the Rating Agency Condition has been satisfied.

Each of the Issuer Trustee and its directors, officers, agents, representatives and employees will be indemnified from and against all claims (including any claim arising out of the assessment of any tax on income by a taxing authority), demands, levies, penalties, suits, losses, actions, causes of action, costs, charges, fees and expenses, damages and liabilities whatsoever arising out of, among other things, any action or omission in relation to the execution of the duties of the Issuer Trustee or in relation to the trust property or the activities of the Issuer, except, in each case, for wilful misconduct, gross negligence or failure to comply with the standard of care established by the Declaration of Trust.

The following diagram illustrates the structure of the Issuer and its affiliates.



THE MANAGER

Pursuant to the Management Agreement, the Issuer has delegated to OPG, as Manager, all of the powers and duties of managing the Issuer. The following brief summary of certain provisions of the Management Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Management Agreement are qualified in their entirety by reference to the Management Agreement and the detailed provisions thereof. The Management Agreement may be reviewed at the principal office of the Manager in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

The powers and duties delegated to the Manager under the Management Agreement include, among others:

(a) negotiating and executing, on behalf of the Issuer, the Program Agreements;

(b) maintaining accounts and banking records;

(c) enforcing the rights of the Issuer under the Program Agreements and the FHPA;

(d) determining, in accordance with the Financing Plan, when it is appropriate for the Issuer to incur Funding Obligations;

(e) ensuring that all Primary Obligations of the Issuer are and remain Approved Obligations;

(f) administering all activities of the Issuer in connection with the issuance, sale, payment, repurchase and redemption of the Issuer's Funding Obligations;

(g) preparing, in accordance with applicable securities laws, any offering documents to be furnished by the Issuer to prospective purchasers of Funding Obligations, including the Senior Notes, and ensuring that all statements of the Issuer made therein are at all times true and correct in all material respects;

(h) arranging for compliance by the Issuer with any continuous disclosure obligations;

(i) arranging for the retention of legal counsel, accountants and an auditor for the Issuer;

(j) preparing financial statements and paying taxes on behalf of the Issuer;

(k) preparing a monthly portfolio report setting out information regarding incoming and outgoing cash flows; and

(l) providing such other services as are incidental to the foregoing or as may be agreed upon between the Issuer and the Manager.

The Manager is also required to work with the IESO to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer, the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA when setting, invoicing and collecting the Clean Energy Adjustment. The Manager will deliver written progress reports to the Issuer and the Indenture Trustee on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021.

Following the Moratorium Period, the Manager will review a monthly servicer report required to be delivered to the Issuer by the IESO under the Master Transfer and Servicing Agreement and make commercially reasonable efforts to resolve any Electricity Vendor failures or discrepancies identified in such report that have not been remedied or adequately explained by Electricity Vendors. The Manager is obligated to institute any proceedings necessary to compel performance by Electricity Vendors of any obligations or duties under the FHPA, including with respect to the invoicing, collection and remittance of Clean Energy Adjustment amounts. Commencing May 1, 2021 and pursuant to its rights under the Regulations, the Manager (on behalf of the Issuer) shall review, or cause to be reviewed,

on an annual basis, or less frequently as may be determined by the Manager and subject to satisfaction of the Rating Agency Condition, the records maintained by Electricity Vendors with respect to the Clean Energy Adjustment and if there is evidence of material non-compliance by an Electricity Vendor, the Manager will promptly review or cause to be reviewed the records of such Electricity Vendor.

The Manager is obligated to perform its duties under the Management Agreement diligently and in conformity with the Issuer's obligations under each of the Program Agreements and with the FHPA, as applicable, and honestly, in good faith and in the best interest of the Issuer. The Manager must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In addition to the powers and duties delegated to OPG pursuant to the Management Agreement, OPG has also agreed to comply with its duties under the FHPA in its capacity as Financial Services Manager, including:

(a) preparing the Financing Plan to evaluate whether potential Funding Obligations should be incurred by Financing Entities for the purposes of acquiring Investment Interests;

(b) determining the amounts of the Clean Energy Adjustment, inclusive of any True-up Amount;

(c) calculating the True-up Amount;

(d) notifying the OEB of the Clean Energy Adjustment, inclusive of any True-up Amount;

(e) administering the Investment Interests on behalf of Financing Entities in accordance with the Program Agreements;

(f) ensuring that Funding Obligations are incurred in a manner that is consistent with the Financing Plan; and

(g) establishing and charging fees for the services provided under the Management Agreement.

Subject to OEB approval, OPG is entitled to charge the Issuer a fee, comprised of a base fee and a variable fee, to earn a return and to recover costs and expenditures incurred by OPG on behalf of the Issuer or in relation to the establishment, management and administration of the Issuer and its Investment Interest. The priority of the Manager's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture.

The Manager is not entitled to resign from its duties or terminate the Management Agreement as long as Funding Obligations remain outstanding. The Manager may be terminated by the Issuer Trustee, with the consent of the Indenture Trustee, or by the Indenture Trustee in accordance with the Master Trust Indenture. No termination of the Manager will be effective until a replacement manager that satisfies the Rating Agency Condition has been approved and has entered into a management agreement with the Issuer whereby the replacement manager agrees to assume, in substance, the obligations of the Manager under the Management Agreement. If the Manager ceases to perform, or inadequately performs, its management duties under the Management Agreement, it might be difficult to find a replacement for the Manager or a successor manager. See "*Risk Factors — Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager."*

The Manager shall provide to the Issuer Trustee an annual certificate confirming compliance with certain matters, including: (i) accurate maintenance of the books and records of the Issuer; (ii) all debt obligations and expenses due and payable by the Issuer have been paid to date; (iii) all required filings with tax and regulatory authorities have been completed to date; and (iv) all material statements and reports to be delivered by the Issuer under the Program Agreements have been delivered and all material statements and reports to be received by the Issuer under the Program Agreements have been received.

The Manager indemnifies the Issuer under the Management Agreement for any losses incurred by the Issuer as a result of the failure of the Manager to perform its obligations under the Management Agreement or any breach by the Manager of its representations and warranties under the Management Agreement or any other Program Agreement to which it is a party, except to the extent such losses result from the willful misconduct, bad faith or gross

negligence of the Issuer. Notwithstanding the foregoing, the Manager is not obligated to indemnify the Issuer under the Management Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement, the FHPA (excluding any delegation by the Manager under the Management Agreement to a third party); (ii) changes in law, (iii) the validity or applicability of the Change of Law Protection Agreement; (iv) the collectability or sufficiency of the Clean Energy Adjustment or Carrying Costs to satisfy the Issuer Funding Obligations, including the Senior Notes; or (v) any liability of the Issuer incurred after termination of the Management Agreement unless attributable to the actions or omissions of the Manager prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

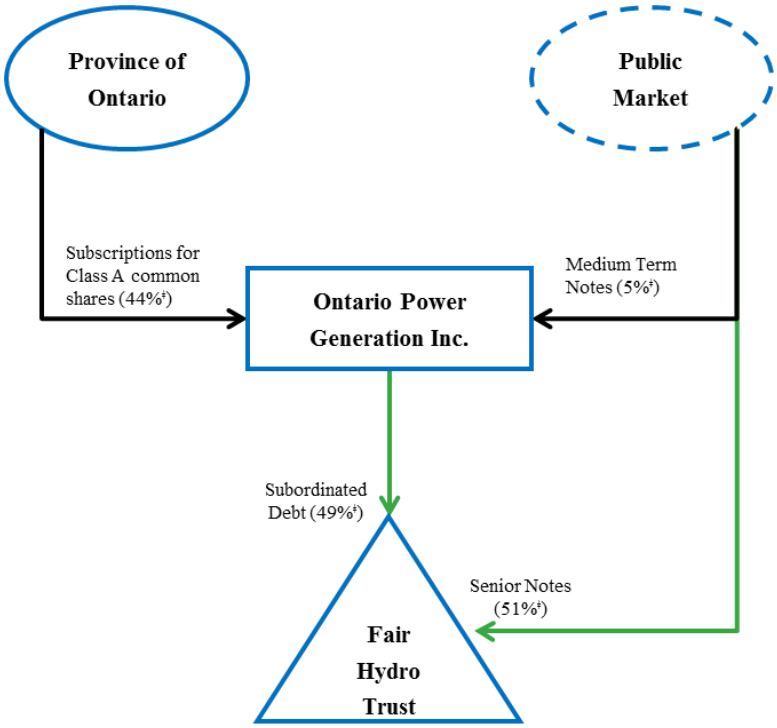
SUBORDINATED DEBT

Concurrent with every issuance of senior debt by the Issuer, including any Offering of Senior Notes, it is expected that OPG will subscribe for subordinated debt and junior subordinated debt of the Issuer in an amount of no more than 49% of all of the Issuer's Funding Obligations, approximately 44% of which is expected to be funded through equity investments in OPG by the Province of Ontario with the remaining approximately 5% being funded from OPG's available funds, including all or a portion of the proceeds of any offerings by OPG of medium term notes.

Under the Master Trust Indenture, the Issuer will be required at all times to ensure that: (i) the aggregate outstanding principal amount of all subordinated debt and junior subordinated debt be equal to not less than 35% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations; and (ii) the aggregate outstanding principal amount of all junior subordinated debt be equal to not less than 10% of the aggregate outstanding principal amount of all of the Issuer's Funding Obligations.

The Issuer is structured to be bankruptcy remote from OPG insofar as none of OPG, its subsidiaries or holders of its indebtedness will have any recourse whatsoever against the Issuer or its assets other than OPG's rights and remedies as a holder of subordinated debt of the Issuer in accordance with the provisions of that indebtedness. From an accounting perspective, however, the Issuer will be consolidated with OPG.

The following diagram illustrates the expected structure of OPG's investments in subordinated debt of the Issuer.



ǂ OPG is expected to acquire up to 49% of the Issuer's outstanding debt in the form of subordinated debt. Actual amounts may vary if OPG acquires less than 49% of the Issuer's outstanding debt.

SHORT TERM INDEBTEDNESS

On December 21, 2017, the Issuer entered into the following supplemental indentures under the Master Trust Indenture for the provision of an aggregate of approximately $1.56 billion in short term indebtedness (collectively, the "**Warehouse Facilities**"), of which a total of $1.179 billion is drawn as of the date hereof:

(a) a warehouse senior series 2017-1 supplemental indenture with, among others, Royal Bank of Canada, as administrative agent for certain commercial paper conduit purchasers and financial institutions named therein, for the provision of an aggregate maximum principal amount of $800,000,000 floating rate variable funding Senior Notes, Series 2017-1 ("**Senior Notes, Series 2017-1**"), of which $601,290,000 is drawn;

(b) a warehouse subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $611,764,705.88 floating rate variable funding Subordinated Notes, Series 2017-1 ("**Subordinated Notes, Series 2017-1**"), of which $459,810,000 is drawn; and

(c) a warehouse junior subordinated series 2017-1 supplemental indenture with, among others, OPG for the provision of an aggregate maximum principal amount of $156,862,745.10 floating rate variable funding Junior Subordinated Notes, Series 2017-1 ("**Junior Subordinated Notes, Series 2017-1**"), of which $117,900,000 is drawn.

The issuance of Senior Notes, Series 2017-1, Subordinated Notes, Series 2017-1 and Junior Subordinated Notes, Series 2017-1 under the Warehouse Facilities described above were used to acquire a $1.179 billion Investment Interest on December 21, 2017.

THE TRANSFEROR AND SERVICER

Pursuant to the Master Transfer and Servicing Agreement, the IESO may periodically Transfer specified portions of the Regulatory Asset to the Issuer. Additional information regarding the IESO, including its most recently published financial statements, is available at www.ieso.ca. Such information does not form part of this confidential shelf offering memorandum and neither the Issuer nor the Agents guarantee the accuracy of such information or has independently verified the accuracy or completeness of any such information or to determine if there has been any omission by the IESO to disclose any facts, information or events which may affect the significance or accuracy of any such financial statements or other information.

The following brief summary of certain provisions of the Master Transfer and Servicing Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Master Transfer and Servicing Agreement are qualified in their entirety by reference to the Master Transfer and Servicing Agreement and the detailed provisions thereof. The Master Transfer and Servicing Agreement may be reviewed at the principal office of the Manager in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Under the Master Transfer and Servicing Agreement, the IESO may offer, no more frequently than monthly, to Transfer to the Issuer a specified portion of the Regulatory Asset. The Issuer has the right, but not the obligation, to accept the IESO's offer. The IESO is responsible for servicing the Issuer's Investment Interest in accordance with the Regulations and the Master Transfer and Servicing Agreement. Its responsibilities including, among others:

(a) establishing a segregated account to be used for the sole purpose of receiving the Clean Energy Adjustment in respect of the Issuer's Investment Interest and making commercially reasonable efforts to cause Electricity Vendors to do the same;

(b) making commercially reasonable efforts to cause each Electricity Vendor to establish procedures for the invoicing of amounts in respect of the Clean Energy Adjustment;

(c) responding to inquiries by Electricity Vendors with respect to the Clean Energy Adjustment and amounts payable in respect thereof;

(d) reviewing reports submitted to the IESO by Electricity Vendors regarding the collection of Clean Energy Adjustment amounts for material manifest discrepancies;

(e) contacting Electricity Vendors on the occurrence of certain events;

(f) holding Clean Energy Adjustment amounts received in respect of the Issuer's Investment Interest in trust for the benefit of the Issuer and remitting such amounts to the Issuer on the 18th business day of each month, subject to daily remittance being required in certain limited circumstances;

(g) together with the Issuer, settling a form of monthly servicer report to be provided to the Issuer; and

(h) providing forecast information to the OEB and the Issuer, which forecast information will be used by the OEB to forecast electricity consumption of Specified Consumers in respect of the relevant period.

The IESO must follow standards, policies and procedures in performing its servicing duties that are customary for an electricity market operator and administrator that regularly performs settlement functions. The Master Transfer and Servicing Agreement provides for various limitations on the duties and responsibilities of the IESO including that: (i) the IESO provides no guarantee that collections of the Clean Energy Adjustment from Electricity Vendors will equal amounts invoiced or that Clean Energy Adjustment amounts will be sufficient to satisfy the Issuer's Funding Obligations, (ii) the IESO is under no responsibility or obligation to the Issuer with respect to the nature or extent of the Investment Interest, the collectability of the Clean Energy Adjustment or that Clean Energy Adjustment amounts received will be sufficient to satisfy the Issuer's Funding Obligations, (iii) the IESO shall have no liability or responsibility to any person in respect of any forecasts or other information provided, provided only that such forecasts or other information has been prepared and provided in good faith and (iv) the IESO is not responsible for, or in respect of, any amounts not collected by Electricity Vendors from Specified Consumers or not remitted by Electricity Vendors to the IESO. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"* and *"Ontario's Fair Hydro Plan — Other Statutory Protections"* with respect to the manner in which the risks associated with incorrect forecasts by the IESO, and shortfalls in Clean Energy Adjustments as a result of amounts not being collected by Electricity Vendors or remitted by Electricity Vendors, are mitigated.

The IESO is required to work with the Manager to develop, on or before January 31, 2020, a written implementation plan identifying the actions to be taken by the IESO and the Issuer to facilitate the OEB, the Issuer, the IESO and Electricity Vendors being prepared to perform their obligations under the FHPA when setting, invoicing and collecting Clean Energy Adjustment amounts. The IESO and the Manager will deliver to the Issuer written progress reports on the status of the implementation plan on or before June 30, 2020, October 31, 2020 and January 31, 2021. The IESO is also required to work with the Issuer to settle a form of monthly servicer report, which will be provided to the Manager on or before the 20th business day after the end of each month in which Clean Energy Adjustment amounts are collected by Electricity Vendors from Specified Consumers, and which report is expected to contain available information regarding the Clean Energy Adjustment amounts billed, collected and remitted by Electricity Vendors, actual electricity consumption compared to forecast electricity consumption and such other information as may be agreed to by the IESO.

Generally, all servicing duties provided by the IESO to the Issuer are provided at no cost to the Issuer. However, the Issuer will reimburse the IESO for its direct costs relating to the performance by the IESO of its duties and obligations under the Master Transfer and Servicing Agreement that are not otherwise recovered by the IESO under the *Electricity Act, 1998* (Ontario), excluding any costs relating to the performance of the IESO's duties and obligations under the FHPA, including its obligation to pay the Carrying Costs to the Issuer.

During the Moratorium Period and extending to July 31, 2021, the IESO, which is rated A(high) by DBRS and Aa2 by Moody's is required under the Regulations to pay and remit to the Issuer amounts charged to the IESO by the Issuer in respect of its Carrying Costs. Under the Regulations, Carrying Costs include all funding costs, such as interest on the Senior 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 Senior Notes. 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 following receipt of the Issuer's carry costs statement, the IESO is required to deliver the amount specified therein to the Issuer. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring September 30, 2022, which is permitted to be used by the IESO to pay the Carrying Costs to the Issuer.

As security for the performance of its obligation to pay the Carrying Costs to the Issuer, the IESO has granted the Issuer a first-priority security interest in all accounts receivable owing to the IESO from Electricity Vendors, including amounts owing with respect to the global adjustment charge. The amounts paid by the IESO to fund these Carrying Costs will be recorded by the IESO in the variance account and form part of the Regulatory Asset which is expected to be offered by the IESO for Transfer to the Issuer in a subsequent period. Upon completion of such Transfer, the Issuer will acquire an Investment Interest pursuant to the FHPA.

As security for any failure of Non-Investment Grade Rated Electricity Vendors to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. A "**Non-Investment Grade Rated Electricity Vendor**" means any Electricity Vendor that does not have a rating of: (i) "Baa3" or higher by Moody's, unless otherwise agreed to by Moody's; and (ii) "BBB(low)" or higher by DBRS, unless otherwise agreed to by DBRS.

The amount of security required from the IESO will be calculated on an annual basis and will be equal to the amount determined by the following formula:

((A / B) x C x D / 365 x E)

where A, B, C, D and E are as follows:

A = for the most recently completed twelve-month period, the aggregate amount of energy consumed by Specified Consumers of all Non-Investment Grade Rated Electricity Vendors.

B = for the same twelve-month period used for A, the aggregate amount of energy consumed by all Specified Consumers.

C = for the most current twelve-month forecast period available, the Clean Energy Adjustment amounts estimated to be payable by all Specified Consumers.

D = 45, representing the estimated number of days that total Clean Energy Adjustment amounts are expected to be held by Electricity Vendors or such other number as mutually agreed to in writing by the Issuer and the IESO and that satisfies the Rating Agency Condition.

E = 0.50 or another value as mutually agreed to in writing by the Issuer and the IESO and that satisfies the Rating Agency Condition.

The Master Transfer and Servicing Agreement sets out specific servicer defaults. Upon the occurrence of a servicer default, the Issuer will be entitled to appoint a replacement servicer that will perform the IESO's duties as servicer under the Master Transfer and Servicing Agreement. Any replacement servicer must be permitted under the FHPA to perform the duties of servicer, the Rating Agency Condition must be satisfied and the replacement servicer must enter into a master transfer and servicing agreement with the Issuer having substantially the same terms as the Master Transfer and Servicing Agreement.

The IESO has agreed to indemnify the Issuer for any losses incurred by the Issuer as a result of the failure of the IESO to perform its obligations under the Master Transfer and Servicing Agreement or any other Program

Agreement to which it is a party or the breach by the IESO of any of its representations or warranties under the Master Transfer and Servicing Agreement or any other Program Agreement to which the IESO is a party, except to the extent such losses result from the willful misconduct, bad faith or gross negligence of the Issuer. Notwithstanding the foregoing, the IESO is not obligated to indemnify the Issuer under the Master Transfer and Servicing Agreement for any losses resulting from: (i) a breach or failure to perform by a third party under any Program Agreement or the FHPA (excluding any delegation by the IESO under the Master Transfer and Servicing Agreement to a third party); (ii) changes in law, (iii) the collectability or sufficiency of the Clean Energy Adjustment to satisfy the Issuer's Funding Obligations, including the Senior Notes; or (iv) any liability of the Issuer incurred after termination of the Master Transfer and Servicing Agreement unless attributable to the actions or omissions of the IESO prior to such termination or in respect of a representation, warranty or covenant that survives such termination.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of the credit quality of securities and are indicators of the likelihood of the payment capacity and willingness of an issuer to meet its financial commitment on an obligation in accordance with the terms of such obligation. The credit ratings accorded to the Senior Notes are not recommendations to purchase, hold or sell such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

The Term Sheet for each Offering will identify the rating of the applicable Senior Notes at the time of such Offering.

RATING AGENCY CONDITION

The Program Agreements provide that certain actions are subject to the "**Rating Agency Condition**". In each such case, satisfaction of the Rating Agency Condition requires: (a) that the Issuer has delivered written notice of the proposed action to the Rating Agencies at least ten business days prior to the effective date of such action; and (b) that the Rating Agencies shall have informed the Issuer prior to the effective date of such action that such action will not result in the reduction or withdrawal of the rating in effect with respect to the Notes immediately before the taking of such action. If the Rating Agency Condition is to be satisfied without specifying one or more specific Series or Tranches of Notes, the Rating Agency Condition must be satisfied with respect to all outstanding Series or Tranches of Notes.

CAPITAL MARKETS PLATFORM

The Financial Services Manager has developed a Financing Plan for the Issuer which encompasses an ongoing program which allows for the issuance of a variety of short and long term debt, as well as interest rate and currency swaps and other hedging instruments.

The Master Trust Indenture establishes common security and a set of common covenants given by the Issuer for the benefit of all of its creditors. Notes are issued under Supplemental Indentures and in certain cases, Terms Documents. Borrowings are incurred pursuant to liquidity agreements or loan agreements. Notes and Borrowings incurred by the Issuer are Issuer Funding Obligations. Each Issuer Funding Obligation will be part of a Class and Series of Issuer Funding Obligations, and may include one or more Tranches. A Class designation determines the relative seniority for receipt of cash flows. See *"— Subordination Provisions"*, "*— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*". Tranches of Issuer Funding Obligations may differ from each other as to the interest rate, maturity and the timing, sequential order and amount of payments of principal or interest, or both.

The following summary of the principal provisions contained in the Master Trust Indenture does not purport to be comprehensive or definitive. This overview summarizes certain provisions of the Master Trust Indenture and omits descriptions of many provisions which may be considered to be of a customary nature. All references in this confidential shelf offering memorandum to the Master Trust Indenture are qualified in their entirety by reference to

the Master Trust Indenture and the detailed provisions thereof. The Master Trust Indenture may be reviewed at the principal office of the Manager in Toronto, Ontario during normal business hours while any Notes are outstanding.

Indenture Trustee

BNY Trust Company of Canada, a trust company governed by the laws of Canada, is the Indenture Trustee under the Master Trust Indenture.

Under the terms of the Master Trust Indenture, the Issuer has agreed to pay the Indenture Trustee reasonable compensation for the performance of its duties under the Master Trust Indenture. The Indenture Trustee has agreed to perform only those duties expressly set forth in the Master Trust Indenture. Many of the duties of the Indenture Trustee are described throughout this confidential shelf offering memorandum. Under the terms of the Master Trust Indenture, the Indenture Trustee's limited responsibilities include the following:

- to authenticate, deliver, cancel and otherwise administer the Notes;
- to serve as the registrar in respect of the Notes;
- to establish and maintain all Issuer Accounts and to maintain accurate records of activity in those accounts;
- to serve as the Paying Agent and distribute and transfer funds at the direction of the Manager in accordance with the terms of the Master Trust Indenture;
- to invest funds in the Issuer Accounts at the direction of the Manager (or its agent);
- to deliver to Specified Creditors notice of any Default, Event of Default, Acceleration Event, Protection Event or Servicer Default of which it has received notice, as required under the Master Trust Indenture; and
- to perform certain other administrative functions identified in the Master Trust Indenture.

In the exercise of its duties, the Indenture Trustee will use the same degree of care and skill as a reasonably prudent person would use in comparable circumstances. When all Issuer Funding Obligations have been satisfied and discharged (see "— *Satisfaction and Discharge*"), the Indenture Trustee will no longer act as Indenture Trustee and will have no fiduciary responsibilities to any remaining Specified Creditors and will act only as security agent for those remaining Specified Creditors. The Indenture Trustee is not liable for any errors of judgment as long as the errors are made in good faith and the Indenture Trustee was not negligent. Furthermore, the Indenture Trustee will not be liable for any action taken or not taken by it in good faith if directed to do so by Extraordinary Resolution. The Indenture Trustee is not required to expend or risk its own funds, or incur any financial liability in the exercise of its duties under the Master Trust Indenture and it will not be obliged to exercise any of its rights under the Master Trust Indenture at the request of any Controlling Class Creditor unless such Controlling Class Creditor has provided it with security or an indemnity reasonably satisfactory to it.

In addition to the Indenture Trustee's compensation and the reimbursement of the Indenture Trustee's expenses in connection with the Master Trust Indenture, the Issuer will indemnify the Indenture Trustee for any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the administration of the trusts under the Master Trust Indenture. The payment of all such amounts will be subject to the payment waterfalls set out in the Master Trust Indenture and in certain instances, such amounts will be higher in priority than payments to Noteholders. See "— *Payment Waterfalls Prior to Acceleration — Collection Account*", "— *Payment Waterfalls Prior to Acceleration — Protection Account*" and "— *Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

The Indenture Trustee may resign at any time by giving written notice to the Issuer and it may be removed for any reason by Ordinary Resolution of Controlling Class Creditors. The Indenture Trustee must resign if a material

conflict of interest arises in its role as an Indenture Trustee under the Master Trust Indenture and such conflict of interest is not eliminated within 90 days after the Indenture Trustee becomes aware of such material conflict of interest. The Issuer may remove, or any Controlling Class Creditor who has been a *bona fide* Controlling Class Creditor for at least six months may, on behalf of itself and all other Debtholders, petition any court of competent jurisdiction for the removal of the Indenture Trustee if (i) the Indenture Trustee is no longer eligible to act as trustee under the Master Trust Indenture (and any Supplemental Indenture) and fails to resign after it has received a written request to do so by the Issuer or by any Controlling Class Creditor, (ii) the Indenture Trustee becomes incapable of acting, or (iii) the Indenture Trustee becomes subject to any bankruptcy or insolvency related events. In all such circumstances, the Issuer must appoint a successor Indenture Trustee. Any resignation or removal of the Indenture Trustee and appointment of a successor Indenture Trustee will not become effective until the successor Indenture Trustee accepts the appointment. If an instrument of acceptance by a successor Indenture Trustee has not been delivered to the Indenture Trustee within 30 days of giving notice of resignation or removal, the Indenture Trustee may petition a court of competent jurisdiction to appoint a successor Indenture Trustee.

Any successor Indenture Trustee will execute and deliver to the Issuer and its predecessor Indenture Trustee an instrument accepting such appointment. The successor Indenture Trustee must be a bank, a trust company or a corporation organized and doing business under the laws of Canada or of any province or territory thereof, authorized under such laws to carry on a trust business in each of the provinces and territories of Canada. The Issuer may not, nor may any person directly or indirectly controlling, controlled by, or under common control with the Issuer, serve as Indenture Trustee.

The Indenture Trustee may become the owner or pledgee of Notes and may otherwise deal with the Issuer with the same rights it would have if it were not the Indenture Trustee (subject to its obligation to resign if there is a material conflict).

Conditions Precedent to Incurrence of Obligations Secured

There is no limit on the aggregate amount of indebtedness or other obligations which may be secured under the Master Trust Indenture. However, the Issuer will not be permitted to incur any Issuer Funding Obligations or other obligations unless the Issuer meets the conditions described below under *"— Issuer Funding Obligations"* and *"— Other Obligations Secured"*.

Issuer Funding Obligations

The Issuer may not incur any new Issuer Funding Obligations, or renew or extend any existing Issuer Funding Obligations (in each case, other than Derivative Funding Obligations), unless the conditions described below are met on or prior to the date that the Issuer enters into a definitive agreement in respect of such Issuer Funding Obligations:

(a) the Issuer delivers to the Indenture Trustee and each Rating Agency notice of such incurrence;

(b) the Issuer delivers to the Indenture Trustee and each Rating Agency a certificate to the effect that:

(i) the Issuer reasonably believes that such incurrence will not cause an Adverse Effect; an "**Adverse Effect**" means that such action will at the time of its occurrence (a) result in the occurrence of an Event of Default or any event which with the giving of notice or passage of time, or both, would become an Event of Default, (b) adversely affect the amount or timing of any payment to be made to any Debtholder or Derivative Counterparty pursuant to the Master Trust Indenture or any Program Agreement, (c) materially adversely affect the amount or timing of payments to be made to the Specified Creditors (other than Debtholders and Derivative Counterparties) pursuant to this Indenture or any Program Agreement, or (d) adversely affect the security interest and the rights and remedies of the Indenture Trustee in respect thereof;

(ii) all instruments furnished to the Indenture Trustee conform to the requirements of the Master Trust Indenture and constitute sufficient authority under the Master Trust Indenture for the Indenture Trustee to (A) in the case of an issuance of Notes only, authenticate and

deliver such Notes, and (B) in the case of all other Issuer Funding Obligations, execute and deliver the applicable Funding Obligation Agreement;

(iii) in the case of an issuance of Notes only, the form and terms of the Notes have been established in conformity with the provisions of the Master Trust Indenture;

(iv) the incurrence of such Issuer Funding Obligation is consistent in all material respects with the Financing Plan; see *"Ontario Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*;

(v) the conditions set out in clauses (c), (d), (g) and (k) below are met; and

(vi) such other matters as the Indenture Trustee may reasonably request;

(c) the representations and warranties of the Issuer in the Master Trust Indenture are true and correct in all material respects;

(d) the Rating Agency Condition is satisfied with respect to all outstanding Series or Tranches of Issuer Funding Obligations;

(e) the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such Issuer Funding Obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such Issuer Funding Obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

(f) the Issuer delivers to the Indenture Trustee copies of the applicable Funding Obligation Agreement, including in the case of Notes, a Supplemental Indenture relating to the applicable Series or Tranche of Notes and, if applicable, a Terms Document relating to the applicable Tranche of Notes;

(g) in the case of Senior Funding Obligations only, the Issuer has Subordinated Funding Obligations and Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 35% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence) and in the case of Subordinated Funding Obligations only, the Issuer has Junior Subordinated Funding Obligations in an aggregate outstanding principal amount equal to not less than 10% of the aggregate outstanding principal amount of the aggregate Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations (after giving effect to such incurrence);

(h) except in the case of Notes, the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(i) each Debtholder in respect of such Issuer Funding Obligation (or an authorized agent on their behalf) has made the acknowledgements and agreements described below under "*— Acknowledgements of Specified Creditors*";

(j) the Change of Law Protection Agreement is in full force and effect against the Province of Ontario or has been replaced with a new agreement that is in form and substance satisfactory to Controlling Class Creditors pursuant to an Ordinary Resolution;

(k) the conditions precedent, if any, specified in the applicable Funding Obligation Agreement are satisfied; and

(l) in the case of an issuance of Notes only:

(i) the Indenture Trustee receives a certificate for the certification and delivery of the Notes and specifying the particulars relating to such Notes;

(ii) in the case of Notes described in section 163(f)(2)(A) of the Internal Revenue Code, if such Notes are not in registered form (including by reason of a book entry system described in section 163(f) of the United States Internal Revenue Code of 1986), then such Notes are described in section 4701(b)(1)(B) of the United States Internal Revenue Code of 1986 and such section will apply to such Notes; and

(iii) in the case of foreign currency Notes, the Issuer appoints one or more Paying Agents in the appropriate countries, if requested by the Indenture Trustee.

Periodic drawdowns under existing Funding Obligation Agreements will not constitute a new incurrence of Issuer Funding Obligations. However, an increase in the aggregate commitment under an existing Funding Obligation Agreement or the issuance of additional Notes of an outstanding Series or Tranche of Notes will constitute a new incurrence of Issuer Funding Obligations.

The Indenture Trustee is not required to and, except as otherwise provided in a Funding Obligation Agreement, the Issuer is not required to, provide prior notice to or obtain the consent of any Debtholder or any other Specified Creditor to issue any Issuer Funding Obligations.

Other Obligations Secured

The Issuer may incur other obligations (including Derivative Funding Obligations) so long as:

(a) the Issuer delivers to the Indenture Trustee a copy of the agreement giving rise to such obligations;

(b) the Issuer delivers to the Indenture Trustee an updated list of the Specified Creditors;

(c) the counterparty to the agreement giving rise to such obligations makes the acknowledgements and agreements described below under "— *Acknowledgements of Specified Creditors*";

(d) if the obligations are Certified Primary Obligations, the Indenture Trustee receives either:

(i) a certified copy of the instrument whereby the Province of Ontario designated in writing that such obligation is an Approved Obligation as contemplated by the Change of Law Protection Agreement; or

(ii) both (A) an Adherence Compliance Certificate addressed to the Indenture Trustee with respect to such obligation delivered in accordance with the Change of Law Protection Agreement; and (B) a certificate signed by the Manager certifying that the Province of Ontario has not provided a Suspension Notice;

provided that, in respect of derivative agreements, the Issuer will provide notice to each Rating Agency of the identity of the Derivative Counterparty and the terms of any applicable master agreement and schedule.

Derivative Agreements

The Issuer may, from time to time, enter into one or more derivative agreements, which would consist of a currency swap or interest rate swap, a cap (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate), a floor (obligating a Derivative Counterparty to make payments if a reference rate is less than a

specified rate), or a collar (obligating a Derivative Counterparty to make payments if a reference rate is greater than a specified rate and entitling the Derivative Counterparty to receive payments if the same reference rate is less than a lower specified rate), with various counterparties. In general, the Issuer will receive payments from the Derivative Counterparty in exchange for the Issuer's payments to them, to the extent required under the derivative agreements. Payments received by the Issuer will constitute Available Collections.

Acknowledgements of Specified Creditors

Each Specified Creditor must acknowledge and agree in favour of the Indenture Trustee that it is a Specified Creditor under the Master Trust Indenture and that its entitlements as a Specified Creditor are subject to the provisions applicable to Specified Creditors under the Master Trust Indenture including, without limitation, those described under "*— Indenture Trustee*", "*— Payment Waterfalls Prior to Acceleration*", "*— Debtholder Approvals and Meetings — Access to Debtholder Lists*", "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*", "*— Acceleration and Remedies — Rights of Specified Creditors*", "*— Acceleration and Remedies — Limited Recourse*" and "*— Acceleration and Remedies — No Petition*".

Subordination Provisions

Under the Master Trust Indenture, the Issuer can issue the following classes of Issuer Funding Obligations: "Senior Funding Obligations", "Subordinated Funding Obligations" or "Junior Subordinated Funding Obligations" (each, a "**Class**"). The payment of interest on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations and Derivative Funding Obligations. The payment of interest on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of interest on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. The payment of principal on Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations and Derivative Funding Obligations. The payment of principal on Junior Subordinated Funding Obligations shall be subordinate and rank junior to the payment of principal on Senior Funding Obligations, Derivative Funding Obligations and Subordinated Funding Obligations. In each case, the subordinations are the to the extent and in the manner set forth in the Master Trust Indenture and described under "*— Payment Waterfalls Prior to Acceleration*" and "*— Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Subject to the applicable payment waterfall, (i) all Senior Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction on account, (ii) all Subordinated Funding Obligations will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction and (iii) all Junior Subordinated Funding Obligations of each Series or Tranche will in all respects be equally and ratably entitled to the benefits of the Master Trust Indenture with respect to such Series or Tranche without preference, priority or distinction, in each case, except as set out in a related Funding Obligation Agreement.

Security

To secure the payment of all Obligations Secured, including principal of and interest on the Issuer Funding Obligations, the Issuer has granted to the Indenture Trustee a security interest in all of its right, title and interest (whether now owned or hereafter acquired or arising) in and to the following property: (i) the Investment Interest acquired by the Issuer; (ii) each Issuer Account (including all sub-accounts); (iii) all Eligible Investments and all investment property, money and other property held in any Issuer Accounts (including all sub-accounts); (iv) all rights, benefits and powers of the Issuer under any Program Agreement; (v) all rights, benefits and powers of the Issuer under the FHPA; (vi) all present and future claims, demands, causes of and choses in action in respect of any of the foregoing and all interest, principal, payments and distributions of any nature or type on any of the foregoing; (vii) all accounts, general intangibles, chattel paper, instruments, documents, goods, money, investment property, deposit accounts, letters of credit and letter-of-credit rights consisting of, arising from, or relating to any of the foregoing; (viii) all debts, accounts, claims, monies and choses in action due or to become due with respect to all of the foregoing and also all securities, bills, notes, evidences of deposits of money, and other documents now held or owned or which may be hereafter taken, held or owned by the Issuer, or anyone on behalf of the Issuer, and all renewals thereof, accretions thereto, substitutions therefor and all interest, income and revenue arising therefrom or by virtue thereof; (ix) all

amounts received with respect to all of the foregoing; and (x) all proceeds of the foregoing (collectively, the "**Collateral**").

Issuer Accounts

Pursuant to the Master Trust Indenture, the Issuer will establish various accounts ("**Issuer Accounts**") – Program Accounts, Series Accounts and Securities Accounts. Each Issuer Account will be under the sole dominion and exclusive control of the Indenture Trustee. Each Program Account and each Series Account will be established as a segregated trust account with an Eligible Institution (an "**Eligible Deposit Account**"). If the institution holding any Program Account or Series Account ceases to be an Eligible Institution, the Issuer will establish a new Program Account or Series Account that is an Eligible Deposit Account and transfer any funds or other property from such existing Program Account or Series Account to such new Program Account or Series Account. Each Securities Account will be established as a segregated securities trust account with an affiliate of an Eligible Institution, which affiliate is licensed to maintain securities accounts (an "**Eligible Securities Account**"). If the institution holding any Securities Account ceases to be an affiliate of an Eligible Institution, the Issuer will establish a new Securities Account that is an Eligible Securities Account and transfer any funds or other property from such existing Securities Account to such new Securities Account. The Indenture Trustee has no obligation to reconcile any Issuer Account against another Issuer Accounts or against the Program Agreements.

Program Accounts

Collection Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Collection Account**"). The Indenture Trustee will hold the Collection Account for the benefit of the Indenture Trustee and the Specified Creditors. All Available Collections received by the Issuer will be credited to the Collection Account. "**Available Collections**" means: (i) all amounts received by the Servicer in respect of the Clean Energy Adjustment from Specified Consumers, (ii) IESO Carrying Cost payments (other than the IESO Cash Reserve Deposit Amount); and (iii) amounts received by the Issuer pursuant to derivative agreements. See *"Ontario Fair Hydro Plan"* and *"The Transferor and Servicer"*.

Interest Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Interest Accumulation Account**"). The Indenture Trustee will hold the Interest Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Interest Accumulation Account has been established for the purposes of pre-funding, collateralizing, over-collateralizing or establishing reserves for the payment of interest in respect of all Issuer Funding Obligations.

Principal Accumulation Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Principal Accumulation Account**"). The Indenture Trustee will hold the Principal Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Principal Accumulation Account has been established for the purpose of accumulating funds to be used to make repayments in respect of all Issuer Funding Obligations.

IESO Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**IESO Cash Reserve Account**"). The Indenture Trustee will hold the IESO Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the IESO Cash Reserve Deposit Amount in the IESO Cash Reserve Account on the earlier of (x) April 30, 2021, and (y) the receipt by the Issuer of the IESO Cash Reserve Deposit Amount from the IESO. Amounts in the IESO Cash Reserve Account are not available to pay principal on the Senior Notes.

Program Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Program Cash Reserve Account**"). The Indenture Trustee will hold the Program Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the Program Cash Reserve Required Amount in the Program Cash Reserve Account during the Reference Period commencing May 1, 2021 pursuant to the application of amounts available therefor under the Collection Account Waterfall. Amounts in the Program Cash Reserve Account will be available to pay interest and principal on the Senior Notes.

Refinancing Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Refinancing Account**"). The Indenture Trustee will hold the Refinancing Account for the benefit of the Indenture Trustee and the Specified Creditors. All proceeds arising from Notes and Borrowings related to Refinancings will be credited to the Refinancing Account.

Protection Account

Pursuant to the Master Trust Indenture, before the making of any demand for payment under the Change of Law Protection Agreement, the Issuer will establish an Eligible Deposit Account in the name of the Indenture Trustee (the "**Protection Account**"). The Indenture Trustee will hold the Protection Account for the benefit of the Indenture Trustee and the Specified Creditors. On the occurrence of a Protection Event and a written payment demand from the Indenture Trustee to the Province of Ontario, all payments received from the Province of Ontario under the Change of Law Protection Agreement will be credited to the Protection Account.

Series Accounts

Series Capital Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Capital Reserve Account**"). The Indenture Trustee will hold each Series Capital Reserve Account for the benefit of the Indenture Trustee and the applicable Debtholders or Derivative Counterparties. A Series Capital Reserve Account may be established for the sole purpose of allowing the Issuer to accumulate funds to be used to make repayments in respect of a Series of Issuer Funding Obligations. Details of any period of accumulation and the amounts to be accumulated will be specified in the applicable Funding Obligation Agreement.

Series Finance Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Finance Reserve Account**"). The Series Finance Reserve Account will be under the sole dominion and exclusive control of the Indenture Trustee. The Indenture Trustee will hold each Series Finance Reserve Account for the benefit of the applicable Debtholders or Derivative Counterparties. A Series Finance Reserve Account may be established for the sole purpose of allowing the Issuer to reserve funds to pay finance charges for a Series of Issuer Funding Obligations. Details of any reserve requirements will be specified in the applicable Funding Obligation Agreement.

Securities Accounts

In connection with the establishment of any Program Account (other than the Protection Account) or Series Account, the Issuer may establish an Eligible Securities Account in the name of the Indenture Trustee (a "**Securities Account**"). The Indenture Trustee will hold each Securities Account for the benefit of the applicable Specified Creditors. A Securities Account may be established for the purpose of allowing the Issuer to invest funds held in any Program Account or Series Account in Eligible Investments. Each Securities Account may relate to only one Program Account or Series Account. Funds in each Program Account and Series Account will be invested in Eligible

Investments at the direction of the Manager using the associated Securities Account. Additionally, neither the Indenture Trustee nor the Manager will be responsible for any losses incurred in the investment of any funds in any Eligible Investments and any insufficiency in an Issuer Account resulting from any loss on Eligible Investments.

Credit Enhancement Agreements and Liquidity Agreements

A Series or Tranche of Issuer Funding Obligations may have the benefit of one or more additional forms of credit enhancement—referred to herein as credit enhancement agreements—such as a letter of credit, surety bond or loan facility. In addition, a Series or Tranche of Notes may have the benefit of one or more forms of liquidity agreements—referred to herein as liquidity agreements—such as a liquidity facility. Whether a Series or Tranche of Issuer Funding Obligations has the benefit of a credit enhancement agreement or a liquidity agreement, including how any payments made pursuant to such agreement will be applied, will be set out in the applicable Funding Obligation Agreement and the related Term Sheet (where applicable).

Payment Waterfalls Prior to Acceleration

All amounts received by the Issuer and all amounts to be paid by the Issuer from a Program Account or Series Account will be made in accordance with the payment waterfalls described below. All payments or transfers described in the sections below will be made by the Paying Agent based on payment instructions provided by the Manager. See "*— Covenants of the Issuer — Payment Instructions*".

Collection Account

Subject to the paragraph below, on each Payment Date (after giving effect to the distributions described in the first paragraph under "*— IESO Cash Reserve Account*"), all amounts on deposit in the Collection Account will be distributed in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted) (the "**Collection Account Waterfall**"):

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee up to a maximum aggregate amount equal to (i) $150,000, multiplied by (ii) the number of Series of Senior Funding Obligations outstanding on such Payment Date, divided by (iii) 12;

(c) third, *pari passu* (i) to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Senior) for such Payment Date, and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Subordinated) for such Payment Date;

(e) fifth, to transfer to the Interest Accumulation Account, the Interest Accrual Amount (Junior Subordinated) for such Payment Date;

(f) sixth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Warehouse) for such Payment Date;

(g) seventh, *pari passu* (i) to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Senior) for such Payment Date, and (ii) to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

(h) eighth, to pay all fees and other amounts (other than principal or interest) owing in respect of Senior Funding Obligations;

(i) ninth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(j) tenth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Subordinated) for such Payment Date;

(k) eleventh, to pay all fees and other amounts (other than principal or interest) owing in respect of Subordinated Funding Obligations;

(l) twelfth, to transfer to the Principal Accumulation Account, the Principal Accumulation Amount (Junior Subordinated) for such Payment Date;

(m) thirteenth, to transfer to the Program Cash Reserve Account, the amount, if any, by which the amount on deposit in the Program Cash Reserve Account is less than the Program Cash Reserve Required Amount;

(n) fourteenth, to transfer to any Series Account (other than any Series Account related solely to Subordinated Funding Obligations or Junior Subordinated Funding Obligations), the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(o) fifteenth, to transfer to any Series Account related solely to Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(p) sixteenth, to pay all fees and other amounts (other than principal or interest) owing in respect of Junior Subordinated Funding Obligations;

(q) seventeenth, to transfer to any Series Account related solely to Junior Subordinated Funding Obligations, the amount required to replenish such Series Account as required by any related Funding Obligation Agreement;

(r) eighteenth, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(s) nineteenth, to pay the amount required pursuant to the Declaration of Trust to the Issuer Trustee for the account of the beneficiaries of the Issuer;

(t) twentieth, to pay all indemnity amounts owing to the Manager;

(u) twenty-first, *pari passu* (i) to pay fees, expenses, reimbursement and indemnity amounts owing to the Issuer Trustee and the Indenture Trustee not previously paid pursuant to paragraph (b), (ii) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (iii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(v) twenty-second, any amounts remaining (i) to be held in the Collection Account for distribution in the above order of priority on the next Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full and discharged, and all other amounts have been paid in full, to pay to the Issuer.

Notwithstanding the foregoing, (i) the transfer of any amounts deposited by the IESO into the Collection Account on account of the IESO Cash Reserve Deposit Amount to the IESO Cash Reserve Account, and (ii) the transfer of any amounts deposited in the Collection Account on account of one-time transaction costs and expenses in connection with the incurrence of Issuer Funding Obligations on or within three business days of the closing date of such transaction, will, in each case, be made without reserving for or paying amounts which are senior in priority to such obligation under the Collection Account Waterfall.

Interest Accumulation Account

On each Interest Payment Date, the Paying Agent will distribute all amounts on deposit in the Interest Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all interest that is due and payable on Senior Funding Obligations on such Interest Payment Date;

(b) second, to pay all interest that is due and payable on Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining on deposit in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations as of such Interest Payment Date; and

(c) third, to pay all interest that is due and payable on Junior Subordinated Funding Obligations on such Interest Payment Date, so long as after making this payment, the amount remaining in the Interest Accumulation Account at least equals the amount of accrued and unpaid interest on Senior Funding Obligations and Subordinated Funding Obligations as of such Interest Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Interest Accumulation Account for distribution in the above order of priority on the next Interest Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Principal Accumulation Account

On each Interest Payment Date (after making the applications provided for in the waterfall under "— *Interest Accumulation Account*"), if any interest that is due and payable on Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations has not been paid, an amount equal to such deficiency will be withdrawn from the Principal Accumulation Account and applied to the payment of interest due and payable on such Interest Payment Date, provided that if the amount to be applied pursuant to this paragraph is insufficient to pay all such interest, the application of such amounts will be made first to Senior Funding Obligations, then to Subordinated Funding Obligations, and finally to Junior Subordinated Funding Obligations, in each case, on a *pro rata* basis.

On each Principal Payment Date (after making the applications provided for in the previous paragraph), the Paying Agent will distribute all amounts on deposit in the Principal Accumulation Account in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay all principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay all principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay all principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the Required Principal Accumulation Amount (Senior) as of such Principal Payment Date; and

(d) fourth, to pay all principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date, so long as after making this payment, the amount remaining in the Principal Accumulation Account at least equals the sum of the Required Principal Accumulation Amount (Senior) and the Required Principal Accumulation Amount (Subordinated) as of such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Principal Accumulation Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

IESO Cash Reserve Account

On each Payment Date beginning in November, 2021, an amount equal to the lesser of (i) the amounts to be paid or transferred pursuant to items (a) through (e) of the Collection Account Waterfall, and (ii) the amount, if any, by which the amount on deposit in the IESO Cash Reserve Account exceeds the IESO Cash Reserve Required Amount will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall.

On each Payment Date, if the amounts available for distribution from the Collection Account and from the preceding sentence are insufficient to pay or transfer items (a) through (e) of the Collection Account Waterfall, an amount equal to such deficiency will be withdrawn from the IESO Cash Reserve Account and applied to the making of such payments or transfers in the order provided for in the Collection Account Waterfall. Amounts in the IESO Cash Reserve Account are not available to pay principal on the Senior Notes. Once all funds in the IESO Cash Reserve Account have been paid out, the IESO Cash Reserve Account will be closed.

Program Cash Reserve Account

If, on any Payment Date, the amount on deposit in the Interest Accumulation Account is less than the sum of the Interest Accrual Amount (Senior), the Interest Accrual Amount (Subordinated) and the Interest Accrual Amount (Junior Subordinated), an amount equal to such deficiency will be withdrawn from the Program Cash Reserve Account and deposited in the Interest Accumulation Account.

If, on any Principal Payment Date, the amount available in the Principal Accumulation Account (in accordance with the provisions applicable thereto) is insufficient to pay all principal that is due and payable on Warehouse Obligations, other Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as applicable (see "— *Principal Accumulation Account*"), on such Principal Payment Date (after making the applications provided for in the previous paragraph), amounts on deposit in the Program Cash Reserve Account will be used in the following order of priority (*pro rata* in proportion to the claims represented by each paragraph below except as otherwise noted):

(a) first, to pay the deficiency on principal that is due and payable on Warehouse Obligations on such Principal Payment Date;

(b) second, to pay the deficiency on principal that is due and payable on Senior Funding Obligations (other than Warehouse Obligations) on such Principal Payment Date;

(c) third, to pay the deficiency on principal that is due and payable on Subordinated Funding Obligations on such Principal Payment Date; and

(d) fourth, to pay the deficiency on principal that is due and payable on Junior Subordinated Funding Obligations on such Principal Payment Date.

Any amounts remaining after the applications referred to above: (i) to be held in the Program Cash Reserve Account for distribution in the above order of priority on the next Interest Payment Date or Principal Payment Date; or (ii) after all Issuer Funding Obligations have been paid in full, to be transferred to the Collection Account.

Refinancing Account

On each Principal Payment Date, the Paying Agent will transfer from the Refinancing Account to the Principal Accumulation Account the lesser of (i) the amount on deposit in the Refinancing Account, and (ii) the amount by which the sum of the Principal Accumulation Amounts for all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on such Principal Payment Date (without reference

to any refinancing notice) exceeds the amount on deposit in the Principal Accumulation Account. After all Issuer Funding Obligations have been paid in full, any amounts remaining in the Refinancing Account will be transferred to the Collection Account.

Protection Account

On each date in respect of which the Province of Ontario makes a payment pursuant to the Change of Law Protection Agreement, the Paying Agent will, prior to making any payments under any other payment waterfall, distribute all amounts in the Protection Account solely to satisfy payments in respect of Approved Obligations as set out in the written payment statement delivered by the Manager to the Province of Ontario under the Change of Law Protection Agreement in the order of priority the applicable Obligation Secured has under the applicable payment waterfall.

On the Province of Ontario paying any amount in respect of an Approved Obligation into the Protection Account, the Province of Ontario will be subrogated and entitled to each applicable Specified Creditor's rights and interests under and in respect of the Approved Obligation to the extent of the amounts paid to the Specified Creditor out of the Protection Account, and shall be entitled to the right to be paid the applicable Subrogation Amount, the benefits of the Collateral and all proceeds therefrom.

Series Accounts

If, after giving effect to payments made on any Payment Date, the amount in the Collection Account is insufficient to make all required payments to Specified Creditors on such date, amounts on deposit in any Series Account may be withdrawn from such Series Account and allocated to the applicable Specified Creditors in accordance with the related Funding Obligation Agreement.

Covenants of the Issuer

Payment of Principal and Interest

The Issuer will duly and punctually pay the principal of and interest due on the Issuer Funding Obligations in the manner specified in the Master Trust Indenture and any related Funding Obligation Agreement.

Use of Proceeds

The Issuer will use the proceeds of such indebtedness solely for: (i) the acquisition by the Issuer of an Investment Interest; (ii) the redemption, repayment or repurchase of any existing Issuer Funding Obligations; (iii) the funding of Issuer Accounts; and (iv) the payment of transaction fees and expenses in connection with the incurrence of Issuer Funding Obligations.

Legal Existence

The Issuer will do or cause to be done all things necessary to preserve its existence and maintain its status as a Financing Entity.

Separateness Covenants

The Issuer will take all reasonable steps to maintain its identity as a distinct entity with assets and liabilities distinct from those of the Manager and any of its affiliates. Such steps include: (i) conducting all transactions with the Manager strictly on an arm's length basis and in good faith; (ii) allocating all overhead expenses for items shared between the Issuer and the Manager on the basis of actual use to the extent practicable; (iii) conducting its affairs strictly in accordance with the Declaration of Trust; (iv) maintaining its books and records separate from those of the Manager or any affiliate thereof; (v) preparing its financial statements separately from those of the Manager and ensuring that any consolidated financial statements of the Manager that include the Issuer have notes clearly stating that the Issuer is a separate entity; (vi) only maintaining bank accounts or other depository accounts to which the Issuer alone is the account party and from which only the Issuer or its agent has the power to make withdrawals; (vii) paying

its operating expenses from its own assets (including, reimbursing the Manager for any such expenses); (viii) maintaining its property in such a manner that it is not costly or difficult to segregate, ascertain or otherwise identify its individual assets from or against those of the Manager or any affiliate thereof; and (ix) not becoming liable to any person for any obligations of the Manager or any affiliate thereof.

Performance of Obligations

The Issuer agrees that it will (i) perform and observe all of its obligations and agreements contained in the Master Trust Indenture, the Declaration of Trust, the Master Transfer and Servicing Agreement, the other Program Agreements and in the instruments and agreements relating to the Collateral; (ii) diligently pursue any and all actions to enforce its rights each instrument or agreement included in the Collateral except as expressly provided in any Program Agreement; and (iii) enforce the Servicer's material obligations under the Master Transfer and Servicing Agreement and the Manager's material obligations under the Management Agreement.

Funding Obligations

The Issuer will ensure that all indebtedness is incurred pursuant to and in accordance with the provisions of the Master Trust Indenture, as described under "— *Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations*". The Issuer will not enter into any Funding Obligation Agreement (other than a Funding Obligation Agreement relating to Warehouse Obligations) that the Manager believes, acting reasonably, would likely require the Issuer to pay principal on such Issuer Funding Obligation by means of a Refinancing (other than a Pre-Approved Refinancing).

Financial Statements; Statement as to Compliance

The Issuer will deliver, or cause to be delivered to the Indenture Trustee and the Rating Agencies: (i) within 140 days after the end of each fiscal year, audited financial statements of the Issuer; (ii) within 90 days after the end of each fiscal quarter (other than the last fiscal quarter of each fiscal year), unaudited financial statements of the Issuer; and (iii) on an annual basis on or before March 31 of each year, a written statement concerning compliance with the conditions and covenants contained in the Master Trust Indenture and confirming that no Default or Event of Default has occurred or if a material Default or Event of Default has occurred, specifying the details thereof.

Payment Instructions

The Issuer will deliver to the Indenture Trustee and the Paying Agent (if the Paying Agent is not the Indenture Trustee) on a monthly basis, a payment instruction in respect of the Collection Account, which instruction shall set out the payments to be made on the following Payment Date and setting forth, among other things, (i) the amount of the payment to Debtholders (including a breakdown of principal and interest), (ii) any other transfers and payments to be made on such Payment Date, including amounts paid to the Indenture Trustee, the Issuer Trustee and the Manager, and (iii) the amounts on deposit in the Collection Account after giving effect to the foregoing payments. Similar payment instructions will also be delivered in respect of each other Program Account and Series Account, as and when payments are to be made from those accounts.

Notice of Certain Events; Protection Event

The Issuer will give the Indenture Trustee and each Rating Agency prompt written notice of (i) each Event of Default, (ii) each breach on the part of the Issuer or the Servicer of its respective obligations under the Master Transfer and Servicing Agreement (including any Servicer Default), (iii) each breach on the part of the Manager of its obligations under the Management Agreement, (iv) any default of the Issuer or a Derivative Counterparty under a derivative agreement, and (v) any Protection Event.

No Other Business

The Issuer will not engage in any activity other than the activities set forth in the Declaration of Trust or the other Program Agreements, the material provisions of which are described in this confidential shelf offering memorandum under "The Issuer".

Amendments to Program Agreements

Unless the Rating Agency Condition is satisfied, the Issuer will not make any material amendments to any Program Agreement (other than the Master Trust Indenture and individual trade confirmations under derivative agreements), or enter into any Co-Owner Agreement. Without limiting the foregoing sentence, the Issuer will not:

(a) enter into any Co-Owner Agreement without the consent of Controlling Class Creditors by Ordinary Resolution;

(b) amend, supplement, modify, restate or replace, or waive or consent to a postponement of compliance with the terms and conditions on the part of any other party to, any of the Program Agreements (other than the Master Trust Indenture, the derivative agreements and the Declaration of Trust) if any such amendment, supplement, modification, restatement or replacement, or waiver or consent, could reasonably be considered to be materially prejudicial to the rights or interests of any Specified Creditor(s), except as expressly permitted by such Specified Creditor(s) and subject to the Province of Ontario having been given prior notice;

(c) consent, if consent is required, to the resignation of the Manager under the Management Agreement; or

(d) amend the Declaration of Trust if such amendment would have or reasonably be expected to have an Adverse Effect; provided that if such amendment would have such result, such amendment may only be made if the Issuer has obtained the consent of the Debtholders affected by such amendment by Ordinary Resolution.

Regarding amendments to the Master Trust Indenture or a Supplemental Indenture, see "— *Amendments to Master Trust Indenture*".

Consolidation; Sale of Assets

The Issuer may not consolidate with or merge into any other person, or sell, convey, exchange, transfer or otherwise dispose of any of its properties or assets included in the Collateral to any person (each, a "**transaction**"), unless:

(a) the entity formed by or surviving the consolidation or merger (if other than the Issuer) or the entity that acquires by conveyance or transfer formed by or surviving the consolidation or merger, by conveyance or transfer, as applicable: (i) is a financing entity; (ii) is organized under the laws of Canada or any province or territory thereof; (iii) is not a non-resident for purposes of the *Income Tax Act* (Canada); (iv) is not subject to regulation as an "investment company" under the Investment Company Act, (v) expressly assumes, pursuant to an assignment and/or assumption agreement or supplement, the due and punctual payment of all Obligations Secured then outstanding and the performance or observance of all of the Issuer's agreements and covenants under each of the Program Agreements to which the Issuer is a party; and (vi) in the case of a conveyance or transfer only, expressly agrees, pursuant to such assignment and/or assumption agreement or supplement, that (A) all right, title and interest conveyed or transferred is subject and subordinate to the security interest of the Indenture Trustee and (B) it will make all filings required by applicable securities laws in connection with any Notes;

(b) no Event of Default has occurred and is continuing immediately after the transaction;

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of counsel, each stating that (i) such transaction and the agreements delivered in connection with such transaction comply with the terms and conditions in the Master Trust Indenture, (ii) all conditions precedent in the Master Trust Indenture relating to the transaction have been complied with, and (iii) each agreement delivered in connection with such transaction has been duly authorized,

executed and delivered, and are valid, binding and enforceable against the surviving entity or transferee, as applicable;

(d) the Rating Agency Condition has been satisfied with respect to such transaction; and

(e) any action as is necessary to maintain the first priority perfected security interest in the Collateral has been taken.

No Borrowing; Guarantees, Loans; Restricted Payments

The Issuer will not issue, incur, assume, guarantee or otherwise become liable for any indebtedness except for Funding Obligations. Additionally, the Issuer will not, except as contemplated by the Master Trust Indenture or the Declaration of Trust, make any loan or advance or credit to, or guarantee, endorse or otherwise become contingently liable in connection with the obligations of, or own, purchase or acquire any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other person.

The Issuer is permitted to declare or make payable any amounts to the owner of units in the Issuer as permitted by and in accordance with the Declaration of Trust, and redeem, purchase, retire or otherwise acquire for value any units in the Issuer, provided that the Issuer may only satisfy the distribution declared or made payable, or the redemption or purchase price of such units to the extent that cash or property is available for such purpose, subject to the payment waterfalls provided for in the Master Trust Indenture. If the Issuer is restricted from satisfying the foregoing amounts in cash or property, then the Issuer will satisfy such amounts through the issuance of additional units and/or a promissory note to its unitholders in accordance with the Declaration of Trust.

Subordinated Funding Obligations and Junior Subordinated Funding Obligations

Notwithstanding anything in a Funding Obligation Agreement to the contrary, the Issuer may not redeem any Series or Tranche of Subordinated Funding Obligations or Junior Subordinated Funding Obligations unless the following conditions are satisfied: (i) no Default or Event of Default has occurred and is continuing; (ii) all Issuer Accounts are fully funded in accordance with the Master Trust Indenture and any applicable Funding Obligation Agreement; and (iii) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to such redemption will not be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

The Issuer will not permit (i) the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations to be less than 35% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations, or (ii) the aggregate outstanding principal amount of Junior Subordinated Funding Obligations to be less than 10% of the aggregate outstanding principal amount of Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations.

Security Matters

The Issuer will not (i) permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance (other than permitted liens) to be created on or extend to the Collateral, (ii) release any security or guarantee in respect of the Collateral, (iii) sell, transfer, exchange or otherwise dispose of any of the Collateral except as expressly permitted under the Master Trust Indenture, or (vi) change its name, jurisdiction of formation or type of organization, unless it has provided the Indenture Trustee and each Rating Agency with prior written notice and it has first made all filings and taken all actions necessary to continue and maintain the Indenture Trustee's first priority security interest in the Collateral.

Other Covenants

In addition to the covenants contained in any Supplemental Indenture or any other Funding Obligation Agreement and the other covenants described in this section, the Issuer agrees that:

- upon the written request of the Indenture Trustee, it will use reasonable commercial efforts, following any (i) termination or resignation of the Servicer, the Manager or the Paying Agent, or (ii) termination, non-renewal or expiry of a liquidity agreement or a credit enhancement agreement, to appoint and enter into an agreement with a successor to such Servicer, Manager or Paying Agent, or replace or renew such liquidity agreement or credit enhancement agreement, in form and substance the same as the previously existing Program Agreement;

- it will not claim any credit on or make any deduction from the principal and interest payable on the Notes or Borrowings (other than amounts withheld or deducted in accordance with the Master Trust Indenture); or

- it will not take any action that would cause it to be treated as engaged in a "trade or business within the United States" for U.S. federal income tax purposes.

Amendments to Master Trust Indenture

Amendments not Requiring Consent of Specified Creditors

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify the Master Trust Indenture or any Supplemental Indenture without the consent of any Specified Creditor upon prior notice to each Rating Agency and the Province of Ontario and delivery by the Issuer to the Indenture Trustee of an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect. Such amendments to the Master Trust Indenture or any Supplemental Indenture may:

- evidence the succession or successive successions of another Financing Entity to the Issuer, and the assumption by such successor of the covenants of the Issuer in the Master Trust Indenture and the Notes;

- add to the covenants of the Issuer, or have the Issuer surrender any of its rights or powers under the Master Trust Indenture (or any Supplemental Indenture), for the benefit of the Debtholders of any or all Classes, Series or Tranches of Issuer Funding Obligations;

- cure any ambiguity, correct or supplement any provision in the Master Trust Indenture which may be inconsistent with any other provision in the Master Trust Indenture (or any Supplemental Indenture), to correct a clear clerical or administrative error, or make any other provisions for matters or questions arising under the Master Trust Indenture;

- provide for the issuance of any Series or Tranche of Notes and to set forth the terms thereof, and/or to add to the rights of the Noteholders of any Class, Series or Tranche;

- provide for the acceptance of a successor Indenture Trustee under the Master Trust Indenture;

- add any Events of Default relating to any or all Classes, Series or Tranches of Issuer Funding Obligations;

- provide for the consolidation of any financing entity and the Issuer into a single entity or the transfer of assets in any financing entity to the Issuer;

- if the IESO is replaced under the Master Transfer and Servicing Agreement, make any necessary changes to the Master Trust Indenture;

- provide for additional forms of credit enhancement for any Class, Series or Tranche of Issuer Funding Obligations;

- facilitate the issuance of foreign currency Issuer Funding Obligations;

- comply with any regulatory, accounting or tax laws, or changes to any ratings criteria;

- enable the Issuer to file a registration statement for the offering of securities registered under the Securities Act and to comply with Regulation AB thereunder; or

- qualify for sale treatment under generally accepted accounting principles.

The Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that (i) the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect, and (ii) such amendment is required to comply with law, or to conform or be consistent with the statements contained in this confidential shelf offering memorandum:

- to facilitate compliance with changes in laws or regulations applicable to the Issuer or the transactions governed by the Program Agreements; or

- to cause the provisions of the Master Trust Indenture to conform to or be consistent with or in furtherance of the statements made in this confidential shelf offering memorandum with respect to the Master Trust Indenture or any Supplemental Indenture.

Additionally, the Master Trust Indenture or any Supplemental Indenture may also be amended by the Issuer and the Indenture Trustee without the consent of any Specified Creditor (but with prior notice to each Rating Agency and the Province of Ontario) in the following circumstances, provided that (i) the Issuer delivers to the Indenture Trustee an officer's certificate to the effect that the Issuer reasonably believes that such amendment will not and is not reasonably expected to have an Adverse Effect and (ii) the Rating Agency Condition is satisfied with respect to such amendment:

- to add provisions to, or change in any manner or eliminate any of the provisions of, the Master Trust Indenture or any Supplemental Indenture;

- to modify in any manner the rights of the Specified Creditors under the Master Trust Indenture or any Supplemental Indenture; or

- to provide for those changes necessary for compliance with securities law requirements or banking laws or regulations.

The Indenture Trustee may, but is not obligated to, enter into any amendment which adversely affects its rights, duties, benefits, protections, privileges or immunities under the Master Trust Indenture (or any Supplemental Indenture).

Amendments Requiring Consent of Debtholders

The Issuer and the Indenture Trustee may amend, supplement or otherwise modify and amend the Master Trust Indenture or any Supplemental Indenture for reasons other than those stated in the prior section ("*— Amendments not Requiring Consent of Specified Creditors*"), with prior notice to each Rating Agency and the Province of Ontario, the consent of Debtholders of each Class, Series or Tranche of Issuer Funding Obligations affected by that amendment, supplement or other modification by Ordinary Resolution, and satisfaction of the Rating Agency Condition. However, if the amendment, supplement or other modification would result in any of the following events occurring, it may be made only with the consent of each Debtholder of Issuer Funding Obligations affected thereby and satisfaction of the Rating Agency Condition:

- a change in an Interest Payment Date, Principal Payment Date or Principal Payment Default Date for any Issuer Funding Obligation;

- a reduction in the principal amount of, or interest rate on, any Note, or a change in the method of computing the outstanding principal amount in a manner that is adverse to any Debtholder;

- a reduction in the amount of a discount note payable upon its acceleration;

- a reduction in the percentage in outstanding principal amount of Issuer Funding Obligations of any Class, Series or Tranche, the consent of whose holders is required for modification or amendment of the Master Trust Indenture, any Supplemental Indenture or any related agreement or for waiver of compliance with provisions of the Master Trust Indenture or for waiver of defaults and their consequences provided for in the Master Trust Indenture;

- a modification of any of the provisions governing the amendment of the Master Trust Indenture or any Supplemental Indenture, or waivers of past defaults, except to increase any percentage of Debtholders required to consent to any such amendment or waiver, or to provide that certain other provisions of the Master Trust Indenture cannot be modified or waived without the consent of each Debtholder affected by such modification;

- a change in the city or political subdivision so designated with respect to any Class, Series or Tranche of Notes where any principal of, or interest on, any Note is payable; or

- a change in the method of computing the amount of principal of, or interest on, any Note on any date.

Debtholder Approvals and Meetings

Access to Debtholder Lists

The Indenture Trustee will preserve the names and addresses of all Specified Creditors received by it in its capacity as Note registrar and those which it has received from the Issuer in accordance with the Master Trust Indenture. Three or more Debtholders of any Series or Tranche, each of whom has owned an Issuer Funding Obligation of such Series or Tranche for at least six months, may, by application to the Indenture Trustee in the prescribed form, obtain access to the current list of Debtholders held by the Indenture Trustee for purposes of communicating with other Debtholders concerning their rights under the Master Trust Indenture (or any Supplemental Indenture) or under the applicable Program Agreement.

Debtholder Meetings

The Master Trust Indenture sets out the mechanics for meetings of Debtholders. The Master Trust Indenture provides for meetings of Debtholders of any Class, Series or Tranche of Issuer Funding Obligations, of all Issuer Funding Obligations, of Controlling Class Obligations of a Series or of all Controlling Class Obligations (each of such groups of Debtholders being a "**Debtholder Group**"). The Indenture Trustee will call a meeting of a Debtholder Group upon request of the Issuer or Debtholders of at least 25% in aggregate outstanding principal amount of the applicable Issuer Funding Obligations. If the Indenture Trustee fails to convene, or cause to be convened, such a meeting after 30 days, the Issuer or those Debtholders may convene the meeting. The Indenture Trustee may call a meeting of a Debtholder Group at any time for any purpose. The quorum for any meeting is one or more persons holding (personally or as proxies) not less than 25% of the outstanding principal amount of the Issuer Funding Obligations of the Debtholder Group entitled to vote at such meeting. Each Debtholder who is present, whether in person or by proxy, will have one vote for every $1,000 of outstanding principal amount of applicable Issuer Funding Obligations of which he or she shall be the holder.

Every question submitted to a meeting, except those matters requiring an Extraordinary Resolution, shall be decided by a majority of the votes (an "**Ordinary Resolution**"). Any matter requiring an Extraordinary Resolution shall be decided by the affirmative vote of Controlling Class Creditors holding not less than 66⅔% of the outstanding principal amount of all Controlling Class Obligations (an "**Extraordinary Resolution**"). Such matters include:

- after the security has become enforceable, authorizing the Indenture Trustee to accept, in satisfaction or partial satisfaction, all or any part of the Collateral;

- after the security has become enforceable, sanctioning the selling of the Collateral or any part thereof or interest therein;

- after the security has become enforceable, authorizing the Indenture Trustee or any other person to bid or tender at any sale of the Collateral or any part thereof and take such actions in connection with such sale as it determines to be in the best interests of all Controlling Class Creditors;

- consenting to any compromise or arrangement by the Issuer with any creditor, creditors or class or classes of creditors or with the holders of any securities of the Issuer whose claims are payable from the Collateral;

- restraining any Debtholder from taking or instituting any suit, action or proceeding for the purpose of realizing on the Collateral or for the execution of any trust or power hereunder or for the appointment of a liquidator, receiver or trustee in bankruptcy or to have the Issuer liquidated or for any other remedy hereunder and to direct such Debtholder to waive any Event of Default on which any suit or proceeding is founded;

- requiring the Indenture Trustee (subject to receipt by the Indenture Trustee of reasonable funding and indemnity) to exercise or refrain from exercising any other powers conferred upon it by the Master Trust Indenture of general application to all Classes of Issuer Funding Obligations, including the exercise of any rights of the Issuer under any of the Program Agreements upon the occurrence and during the continuance of an Event of Default, or cancel any declaration of acceleration made pursuant to the Master Trust Indenture upon such terms and/or conditions as may be decided;

- authorizing the Indenture Trustee, for and on behalf of all Debtholders, to file and prove a claim or debt against the Issuer or its property for an amount equivalent to the aggregate amount which may be payable in respect of all Issuer Funding Obligations, to value the Collateral, and to vote such claim or debt at meetings of creditors and generally act for and on behalf of all Debtholders in such proceedings as such Extraordinary Resolution may provide; and

- appointing a committee to exercise, on behalf of all Controlling Class Creditors, any powers of such Controlling Class Creditors as are exercisable by Extraordinary Resolution or other resolution (as specified in the Extraordinary Resolution appointing such committee).

Any resolution or instrument signed by the requisite number of Debtholders or Controlling Class Creditors, as applicable, shall have the same force and effect as a resolution duly passed at a meeting of such Debtholders or Controlling Class Creditors.

Any action or vote taken at a meeting (including by way of written instrument) of Debtholders of a Debtholder Group duly held in accordance with the Master Trust Indenture will be binding on all Debtholders of that Debtholder Group. An Extraordinary Resolution shall bind all Debtholders and all other Specified Creditors.

In determining whether Noteholders of the requisite principal amount have taken any action under the Master Trust Indenture, (i) Senior Notes owned by the Issuer, the Manager or any affiliate of either of them, and (ii) any Class of Notes (or portion thereof) in which the Province of Ontario has an interest will, in each case, be disregarded and deemed not to be outstanding at any time that a Specified Creditor other than the Province of Ontario has an interest in such Class of Notes. In determining whether the Indenture Trustee will be protected in relying upon any such action, only Senior Notes (or, in the case of the Province of Ontario, any Notes) which a responsible officer of the Indenture Trustee knows to be owned by the Issuer, OPG or any affiliate of either of them, or with respect to which the Province of Ontario has an interest pursuant to the Change of Law Protection Agreement, will be so disregarded.

Whenever an action may be taken by Debtholders of a specified percentage of outstanding principal amount of Issuer Funding Obligations and at such time there are outstanding Issuer Funding Obligations of any relevant Series denominated in a foreign currency, then the principal amount of the Issuer Funding Obligations of such Series which will be deemed to be outstanding for purposes of taking such action will be the amount of Canadian dollars which could be obtained for such principal amount at the market exchange rate on the applicable date.

Events of Default

General

Each of the following events is an "**Event of Default**":

(a) the Issuer's failure, for a period of 5 days, to pay interest on any Controlling Class Obligations when such interest becomes due and payable;

(b) the Issuer's failure to pay the principal of any Controlling Class Obligations at the Principal Payment Default Date;

(c) any representation or warranty in the Master Trust Indenture proves to be incorrect in any material respect when made and if capable of remedy, such incorrect representation or warranty is not remedied for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(d) the Issuer's default in the performance, or breach, of any other of its covenants or warranties in the Master Trust Indenture, for a period of 60 days after the Indenture Trustee or Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer requesting remedy of that default and stating that as a result of such default, the interests of such Controlling Class Creditors are materially and adversely affected and continue to be materially and adversely affected during the 60-day period;

(e) certain events of bankruptcy or insolvency of the Issuer, or the Issuer fails to maintain its existence or status as a Financing Entity;

(f) the Change of Law Protection Agreement ceases to be in full force and effect against the Province of Ontario, or the validity thereof, or the applicability thereof to the Province of Ontario or any Controlling Class Obligations is disaffirmed by the Province of Ontario;

(g) an Acceleration Event has occurred and Controlling Class Creditors holding at least 25% of the outstanding principal amount of all Controlling Class Obligations have provided written notice to the Issuer and the Indenture Trustee specifying the default;

(h) the Issuer's default in the performance of its covenant to deliver payment instructions for a period of three days after the Indenture Trustee has provided written notice thereof;

(i) at any time, the amounts withdrawn from the Program Cash Reserve Account prior to such time exceed the aggregate of (x) 0.50% of the largest outstanding principal amount of all Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations on or prior to such time, (y) the sum of all amounts deposited to the Program Cash Reserve Account, and (z) all interest and earnings (net of losses and investment expenses), if any, on funds credited to the Program Cash Reserve Account; or

(j) a Servicer Default occurs.

If Controlling Class Obligations constituting 25% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the thresholds required in clauses (c), (d) or (g) will be deemed to have been met.

Waiver of Default

Subject to the summary provided for below under "*— Acceleration and Remedies — General*", Controlling Class Creditors may, by Ordinary Resolution, waive any past Default under the Master Trust Indenture so long as the Rating Agency Condition in respect of each Series or Tranche of Controlling Class Obligations has been satisfied.

Acceleration and Remedies

General

If an Event of Default (other than an Event of Default described in paragraph (e) or (f)) occurs and is continuing, either the Indenture Trustee or Controlling Class Creditors holding not less than 50% of the outstanding principal amount of all Controlling Class Obligations (treated as one class) may declare the outstanding principal amount of all Issuer Funding Obligations (other than Derivative Funding Obligations) to be immediately due and payable. If Controlling Class Obligations constituting 50% or more of the outstanding principal amount of all Controlling Class Obligations have been accelerated in accordance with their Funding Obligation Agreements, the 50% threshold required will be deemed to have been met. The occurrence of an Event of Default described in paragraph (e) or (f) results in an automatic acceleration of all Issuer Funding Obligations (other than Derivative Funding Obligations).

A declaration of acceleration or an automatic acceleration may be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived.

If Controlling Class Obligations are accelerated, the Indenture Trustee may amongst other things, (i) apply to a court for an order of sequestration and payment of amounts in respect of the Clean Energy Adjustment in accordance with the FHPA, (ii) take possession of the Collateral, (iii) appoint a receiver with respect to the Collateral, (iv) initiate proceedings in any court for the appointment of a receiver or for sale or foreclosure, (v) exercise rights, remedies, powers, privileges and claims under any Program Agreement, including the right to terminate and replace the Manager or the Servicer, or (vi) take any other action, suit, remedy or proceeding authorized or permitted by the Master Trust Indenture or by applicable law. The Indenture Trustee is not obligated to exercise any of its rights or powers under the Master Trust Indenture at the request or direction of any Controlling Class Creditors unless Controlling Class Creditors offer the Indenture Trustee a reasonable indemnity.

See *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset" and "Risk Factors — Insolvency-Related Risks Relating to the Issuer"*.

Limitation on Available Amounts on Acceleration

If all or any portion of the principal amount of any indebtedness of the Issuer (including one or more Series of Senior Notes) becomes due and payable after the Moratorium Period and before its scheduled payment date, maturity date or redemption date, the estimated Finance Amount used by the Financial Services Manager to determine the Clean Energy Adjustment for a period will be determined based on the extent, if any, to which the amount of the Clean Energy Adjustment is capable of being increased based on the Fair Allocation Amount for such period. See *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*. However, upon such acceleration, all accelerated Senior Notes will be repaid in full before any further payments of principal are made to holders of subordinated indebtedness, including the subordinated debt held by OPG; therefore, collections of the Clean Energy Adjustment that would otherwise have been available to repay the principal amount of subordinated indebtedness in the absence of acceleration of the Senior Notes will instead be applied to repay accelerated Senior Notes. See *"Capital Markets Platform"*.

Payment Waterfall Upon Acceleration

After acceleration of the Issuer Funding Obligations (other than derivative agreements), any money or other property standing to the credit of an Issuer Account (except as set out below) or otherwise collected by the Indenture Trustee will be applied in the following priority:

(a) first, to the payment or remittance of taxes for which a governmental authority is given priority over the Specified Creditors under the laws of the applicable jurisdiction;

(b) second, to pay fees, expenses and reimbursement amounts owing to the Issuer Trustee and the Indenture Trustee;

(c) third, *pari passu* (i) to pay interest, fees and other amounts (other than principal) owing in respect of Senior Funding Obligations and (ii) to pay all Derivative Funding Obligations (other than termination payments);

(d) fourth, to pay interest, fees and other amounts (other than principal) owing in respect of Subordinated Funding Obligations;

(e) fifth, to pay interest, fees and other amounts (other than principal) owing in respect of Junior Subordinated Funding Obligations;

(f) sixth, to pay principal owing in respect of Warehouse Obligations;

(g) seventh, *pari passu* (A) to pay principal owing in respect of Senior Funding Obligations (other than Warehouse Obligations) and (B) to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is not the defaulting party or the sole affected party;

(h) eighth, to pay fees, expenses and reimbursement amounts owing to the Manager;

(i) ninth, to pay principal owing in respect of Subordinated Funding Obligations;

(j) tenth, to pay principal owing in respect of Junior Subordinated Funding Obligations;

(k) eleventh, to pay termination payments owing to Derivative Counterparties where the Derivative Counterparty is the defaulting party or the sole affected party;

(l) twelfth, to pay all indemnity amounts owing to the Manager;

(m) thirteenth, *pari passu* (i) to the payment or remittance of taxes not previously paid pursuant to paragraph (a), and (ii) to pay all amounts owing to Specified Creditors not specifically referred to above; in each case, including, for each referenced party, any amounts payable to their respective affiliates under the terms of any relevant indemnity; and

(n) fourteenth, to pay any remaining amounts to the Issuer.

However, amounts on deposit in a Series Account will first be used to satisfy all obligations owing to the Debtholders or Derivative Counterparties for whom such Series Account was established. Thereafter, such amounts will be applied in accordance with the priorities set out above. In addition, amounts on deposit in the Protection Account will only be used to satisfy the obligations for which those amounts were deposited.

Rights of Specified Creditors

No Specified Creditor will have the right to institute any proceeding, judicial or otherwise, with respect to the Master Trust Indenture, or for the appointment of a receiver or trustee or similar official, or for any other remedy under the Master Trust Indenture. A Controlling Class Creditor may exercise such rights if:

(a) the Issuer or a Controlling Class Creditor has previously given to the Indenture Trustee written notice of a continuing Event of Default;

(b) Controlling Class Creditors, by Ordinary Resolution, have made written request of the Indenture Trustee to institute the proceeding in its own name as Indenture Trustee;

(c) Controlling Class Creditors have offered the Indenture Trustee a satisfactory indemnity; and

(d) the Indenture Trustee has, for 60 days, failed to institute the proceeding.

Subject to certain powers which may only be exercised by Extraordinary Resolution, Controlling Class Creditors, by Ordinary Resolution, will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee with respect to all Issuer Funding Obligations. However, the Indenture Trustee may decline to follow such direction if it determines (based on advice from counsel) that such direction (i) conflicts with applicable law or the Master Trust Indenture, (ii) has a substantial likelihood of involving the Indenture Trustee in personal liability or (iii) is unjustly prejudicial to Controlling Class Creditors not taking part such direction. See "*— Debtholder Approvals and Meetings — Debtholder Meetings*" for a description of certain powers which may only be exercised by Extraordinary Resolution. Specified Creditors (other than Debtholders) do not have any right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee. Specified Creditors (other than Debtholders) will only have the right to receive proceeds following an Event of Default.

Limited Recourse

The obligation of the Issuer to pay principal of and interest on the Issuer Funding Obligations or any other amount payable to any Specified Creditor is subject to the allocation and payment provisions in the Master Trust Indenture and the applicable Funding Obligation Agreement and limited to amounts available from the Collateral. Neither the Indenture Trustee, the Manager nor the Issuer Trustee in its individual capacity, nor any holder of any unit in the Issuer, nor any of their respective owners, beneficiaries, agents, officers, directors, employees, successors or assigns will, in the absence of an express agreement to the contrary, be personally liable for the payment of the principal of or interest on the Notes or any other Issuer Funding Obligation, or for the Issuer's covenants and agreements contained in the Master Trust Indenture.

No Petition

Each Specified Creditor, by accepting its rights as a beneficiary under the Master Trust Indenture, agrees that until one year and one day following repayment in full of all Issuer Funding Obligations, it will not commence (or join in commencing) a bankruptcy, insolvency or similar proceeding under the laws of any jurisdiction against the Issuer.

Force Majeure

The Indenture Trustee and the Issuer Trustee will not be responsible or liable for any failure or delay in the performance of their obligations under the Master Trust Indenture arising out of or caused by, directly or indirectly, forces beyond their control, including loss or malfunctions of utilities, communications or computer services.

Satisfaction and Discharge

The Master Trust Indenture will cease to be of further effect with respect to any Class, Series or Tranche of Issuer Funding Obligations when:

(a) (x) in the case of Notes, all Notes of that Class, Series or Tranche which had been outstanding, with certain exceptions set forth in the Master Trust Indenture, have been delivered to the Indenture Trustee for cancellation or been cancelled, or (y) in the case of all other Issuer Funding Obligations, all Issuer Funding Obligations of that Class, Series or Tranche have been paid in full, as certified by the Issuer;

(b) the Issuer has paid all other sums payable by it under the Master Trust Indenture with respect to that Class, Series or Tranche of Issuer Funding Obligations; and

(c) the Issuer has delivered to the Indenture Trustee an officer's certificate and an opinion of external counsel each stating that the conditions precedent in the Master Trust Indenture relating to the satisfaction and discharge with respect to that Class, Series or Tranche of Issuer Funding Obligations have been complied with.

The Master Trust Indenture will cease to be of further effect when all Issuer Funding Obligations have been satisfied and discharged in accordance with the previous paragraph and all other Obligations Secured have been paid in full, as certified by the Issuer.

DESCRIPTION OF SENIOR NOTES

The following description of the Senior Notes is a summary of certain of their material attributes and characteristics, and does not purport to be complete. The terms and conditions set forth in this *"Description of Senior Notes"* section will apply to each Senior Note unless otherwise specified in the Term Sheet applicable to such Offering. For further particulars, reference should be made to the Master Trust Indenture and the Supplemental Indenture and Terms Document, if any, relating to the particular Series or Tranche of Senior Notes.

General

The Senior Notes will be issued under the Master Trust Indenture and will be Funding Obligations issued in connection with the financing program described under the heading "*Capital Markets Platform*". The specific terms and conditions of each Series of Senior Notes will be set forth in the Supplemental Indenture authorizing that Series and the specific terms and conditions of any Tranche of Senior Notes will be set forth in the Supplemental Indenture or the Terms Document authorizing that Tranche.

Under the Master Trust Indenture, the Issuer may issue an unlimited principal amount of Senior Notes. See "*Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations*". The Senior Notes will be direct obligations of the Issuer and secured in the manner provided for under the Master Trust Indenture. See "*Capital Markets Platform — Security*".

The Supplemental Indenture or Terms Document will describe the following terms of the Senior Notes:

- the Series designation;
- stated principal amount of the Senior Notes;
- whether such Senior Notes are of a particular Tranche of Senior Notes;
- the currency or currencies in which such Senior Notes will be denominated and in which payments of principal of, and interest on, such Senior Notes will or may be payable;

- the price at which such Series or Tranche of Senior Notes will be issued;
- the times at which such Series or Tranche of Senior Notes may, pursuant to any optional redemption provisions, be redeemed, and the other terms and provisions of any such redemption;
- the rate per annum at which such Series or Tranche of Senior Notes will bear interest, if any, or the formula or index on which such rate will be determined;
- each Interest Payment Date, each Principal Payment Date and the Principal Payment Default Date for such Series or Tranche of Senior Notes;
- the Principal Accumulation Date(s), if any, and Principal Accumulation Amount(s) for such Series of Senior Notes;
- the initial principal amount of such Senior Notes, and the means for calculating the outstanding principal amount of such Series or Tranche of Senior Notes;
- whether or not application will be made to list such Series or Tranche of Notes on any securities exchange;
- any events of default with respect to such Series or Tranche of Senior Notes;
- if such Series or Tranche of Senior Notes will be issued in whole or in part in the form of a global note, the terms and conditions, if any, upon which such global note may be exchanged for other individual Senior Notes, and the depository for such global note;
- if such Class, Series or Tranche of Senior Notes will be issued in whole or in part in registered form, bearer form or both, and if such Senior Notes will be issued with or without coupons;
- if such Class, Series or Tranche will have the benefit of a credit enhancement agreement or liquidity agreement, and the terms and provisions of the applicable agreement;
- the record date for any Interest Payment Date or Principal Payment Date of such Series or Tranche of Senior Notes, if different from the last of the month before the related Interest Payment Date or Principal Payment Date; and
- whether and under what conditions, additional amounts will be payable to Noteholders of such Series or Tranche of Notes.

Limitations

The Senior 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) or of the IESO. The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior 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, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*.

Payments of Principal and Interest

Interest will accrue on the principal balance of each Series or Tranche of Senior Note at the interest rate specified in the related Term Sheet and will be payable on the Interest Payment Date(s) specified in the related Term Sheet. Principal of each Series or Tranche of Senior Notes will be payable in the amounts and on the Principal Payment Date(s) specified in the related Term Sheet. The Term Sheet applicable to a Series or Tranche of Senior Notes will

also set out the Principal Payment Default Date for such Senior Notes, which is the date on which failure to pay the principal amount of such Senior Notes will result in an Event of Default.

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Interest Accumulation Account the aggregate amount of interest that has accrued on each Series of Senior Notes (together with all other amounts to be accrued for other Issuer Funding Obligations). On each Interest Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes interest then due on such Senior Notes using amounts available therefor from the Interest Accumulation Account, the Principal Accumulation Account, the IESO Cash Reserve Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*".

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Principal Accumulation Account the aggregate of the amounts the Issuer is required to accumulate for each Series of Senior Notes (together with all other amounts to be accumulated for other Issuer Funding Obligations). The Term Sheet applicable to a Series or Tranche of Senior Notes will set out the Principal Accumulation Amount(s) and the Payment Dates on which such amounts are to be accumulated for such Senior Notes. On each Principal Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes the principal then due on such Senior Notes using amounts available therefor from the Principal Accumulation Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*". Holders of Senior Notes may receive principal payments earlier than an expected Principal Payment Date if an optional redemption occurs and may receive principal payments later than an expected Principal Payment Date if there are insufficient Available Collections. See "*Risk Factors*" for a discussion of factors that may affect the timing of principal payments on a Series or Tranche of Senior Notes. It is not an Event of Default if the stated principal amount of a Series or Tranche of Senior Notes is not paid in full on an expected Principal Payment Date. If the stated principal amount of a Senior Note is not paid in full by its Principal Payment Default Date, an Event of Default will occur. See "*Capital Markets Platform — Events of Default*".

Unless otherwise specified in a Term Sheet, the Issuer has designated the Indenture Trustee as its Paying Agent for all Senior Notes having a place of payment in Toronto, Ontario.

Optional Redemption of Senior Notes

If a Supplemental Indenture for any Series or Tranche of Senior Notes states that such Senior Notes will be redeemable, in whole at any time or in part from time to time, such Senior Notes will be redeemable at the option of the Issuer at the redemption price specified in the Supplemental Indenture. If less than all the Senior Notes of any Series or Tranche are to be redeemed at one time, the Senior Notes of such Series or Tranche to be redeemed will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

Notice of any redemption will be delivered to each holder of the Senior Notes to be redeemed, electronically or by mail (postage prepaid) at the address of such holder appearing in the Note register (or published in an authorized newspaper in the case of Senior Notes held in bearer form) or otherwise in accordance with the procedures of the depository, at least 15 days but not more than 30 days before the redemption date, except that redemption notices may be delivered more than 30 days prior to the redemption date if the notice is issued in connection with a satisfaction and discharge of the Master Trust Indenture with respect to such Series or Tranche of Senior Notes. The notice of redemption will state (i) the portion of the principal amount thereof to be redeemed (provided that no Senior Notes in an aggregate principal amount of 1,000 units of the applicable currency or less will be redeemed in part), (ii) the redemption date and (iii) the redemption price. Unless the Issuer defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Senior Notes or portions of the Senior Notes called for redemption. A replacement note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note; provided, however, that, in the case of a global note, an appropriate notation may instead be made on such note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof.

The Term Sheet for each Offering will identify the redemption provisions of the applicable Notes at the time of such Offering.

Purchase for Cancellation

The Issuer may purchase or otherwise acquire, at any time or from time to time, all or any of the outstanding Senior Notes of any Series or Tranche in the market or by invitation for tenders or by private contract at such prices as it may determine in its sole discretion. All such Senior Notes purchased by the Issuer will be cancelled. If, upon a tender, more Senior Notes of a Series or Tranche are tendered at the same lowest price than the Issuer is prepared to accept, the Senior Notes of such Series or Tranche to be purchased will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes registered in the name of each holder thereof, or in such other manner as the Indenture Trustee may consider equitable.

DEPOSITORY SERVICES

Except as otherwise provided below, the Senior Notes will be issued in "book-entry only" form and must be purchased, transferred, redeemed or exchanged through participants ("**Participants**") in the depository service of a depository chosen by the Issuer (the "**depository**") or its nominee, which include securities brokers and dealers, banks and trust companies. On the closing date of an Offering, the Issuer will cause a global certificate representing the Senior Notes to be delivered to, and registered in the name of, the depository or its nominee. Except as described below, no purchaser of Senior Notes will be entitled to a certificate or other instrument from the Issuer or the depository evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by the depository except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Senior Notes will typically receive a customer confirmation of purchase from the registered dealer from which the Senior Notes are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally, customer confirmations are issued promptly after execution of a customer order. The depository will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Senior Notes.

Neither the Issuer, the Indenture Trustee nor the Agents will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Senior Notes held by the depository or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Senior Notes; or (iii) any advice or representation made by or with respect to the depository or those contained in this confidential shelf offering memorandum and relating to the rules governing the depository or any action to be taken by the depository or at the direction of its Participants. The rules governing the depository provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to the depository and persons, other than Participants, having an interest in the Senior Notes must look solely to Participants for payments made by or on behalf of the Issuer to the depository in respect of the Senior Notes.

If: (i) required by applicable law; (ii) the depository notifies the Issuer in writing that the depository is no longer willing or able to discharge properly the responsibilities of a depository with respect to the Senior Notes and the Issuer is unable to locate a qualified successor; (iii) the Issuer determines the Senior Notes in book-entry only form should be exchanged for definitive certificates and the Issuer delivers a written notice to such effect to the Indenture Trustee; (iv) an Event of Default has occurred and Noteholders holding more than 50% of the Controlling Class Obligations of any Series of Senior Notes determine such book-entry system is no longer in the best interests of the holders of that Series; or (v) the book-entry system is terminated, then certificates representing the Senior Notes will be issued to the beneficial owners of Senior Notes.

Interest on the Senior Notes will be paid directly to CDS while the book-entry only system is in effect. If definitive certificates are issued, interest will be paid by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a cheque to each such holder's registered address. Payment of principal, and the interest due, at maturity, will be paid directly to CDS while the book-entry only system is in effect. If definitive certificates are issued, payment of principal, and interest due, at maturity, will be paid upon surrender thereof at any office of the Trustee or as otherwise specified in the Indenture.

Manner of Effecting Transfer or Redemption

A transfer or redemption of Senior Notes held in "book-entry form" only will be effected through records maintained by the depository or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of such Senior Notes who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Senior Notes, may do so only through Participants.

DTC, Euroclear and Clearstream, Luxembourg

Where CDS acts as depository for a series of Senior Notes, to the extent the Issuer makes such series of Senior Notes eligible with The Depositary Trust Company ("**DTC**"), Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), and the Issuer specifies as such in the Term Sheet with respect to the particular series of Senior Notes, holders may hold such series of Senior Notes through the accounts maintained by DTC, Euroclear or Clearstream, Luxembourg, as applicable, as participants in CDS only if they are participants of those systems, or indirectly through organizations which are participants of those systems.

In such case, DTC, Euroclear and Clearstream, Luxembourg will hold omnibus book-entry positions on behalf of their participants through customers' securities accounts in their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of CDS. All securities in DTC, Euroclear and Clearstream, Luxembourg are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of such Senior Notes by persons holding through Euroclear or Clearstream, Luxembourg participants, as applicable, will be effected through CDS, in accordance with CDS rules, on behalf of the relevant European international clearing system by its depositaries; however, such transactions will require delivery of transfer instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transfer meets its requirements, deliver instructions to its depositaries to take action to effect the transfer of the Senior Notes on its behalf by delivering Senior Notes through CDS and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Senior Notes held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures, to the extent received by its depositaries.

All information in this confidential shelf offering memorandum concerning CDS, DTC, Euroclear and Clearstream, Luxembourg, reflects the Issuer's understanding of the policies of such organizations which may change at any time without notice.

PLAN OF DISTRIBUTION

The Senior Notes may be sold by the Issuer directly pursuant to applicable statutory exemptions or through agents designated by the Issuer from time to time. Each Term Sheet will identify the Agents engaged in connection with the applicable Offering of Senior Notes and will also set forth the terms of the Offering of Senior Notes, including the net proceeds to the Issuer and, to the extent applicable, any fees payable to the Agents. The Agents will conditionally offer the Senior Notes for sale on a "best efforts" basis, if, as and when issued and delivered by the Issuer in accordance with the conditions contained in an agency agreement (the "**Agency Agreement**") between the Issuer, OPG and the Agents to be entered into on or about the date of each Term Sheet. The Agents will be paid a fee by the Issuer for their services rendered to the Issuer in connection with the offering, issue and sale of the Senior Notes. The obligations of the Agents under the Agency Agreement may be terminated upon the occurrence of certain stated events. The Agents may over-allot or effect transactions which stabilize or maintain the market price of the Senior Notes at a level different than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements in Section 2.3 of NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(2) of the *Securities Act* (Ontario), also known as the "accredited investor" exemption. In addition, Senior Notes will not be offered or sold, directly or indirectly, to individuals unless those individuals are also "permitted clients" within the meaning of NI 31-103.

Resale of the Senior Notes will be subject to restrictions under applicable securities legislation which vary depending on the relevant jurisdictions. **The Senior Notes may only be sold on a basis that is exempt from the prospectus requirements of applicable securities legislation through an appropriately registered dealer or pursuant to an exemption from the registration requirements of applicable securities legislation**. See *"Restrictions on Resale"*.

This confidential shelf offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Senior Notes in the United States. The Senior Notes have not been and will not be registered under 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 or benefit of, U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) unless the Senior Notes are registered under the U.S. Securities Act and applicable state securities laws or an exemption therefrom is available. In addition, until 40 days after the commencement of an Offering, any offer or sale of the Senior Notes within the United States by any dealer (whether or not participating in an Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. Each Agent has agreed that, except as permitted by an Agency Agreement, it will not offer or sell the Senior Notes as part of the distribution of the Senior Notes at any time within the United States or to, or for the account or benefit of, U.S. persons.

RISK FACTORS

An investment in Senior Notes involves certain risks. Prospective investors in the Senior Notes should carefully consider all the information included in this confidential shelf offering memorandum, including the risks described below, before deciding to invest in the Senior Notes. This section does not describe all risks applicable to the Issuer and is intended only as a summary of certain material risks. In addition, prospective investors should consult their own financial and other legal and tax advisors, and should carefully consider, among other matters, the following discussion of risks before deciding whether to purchase Senior Notes.

Judicial, Legislative or Regulatory Risks

Future legal action might challenge or invalidate the FHPA and materially adversely affect a holder's investment in the Senior Notes.

The Investment Asset is a creation of the FHPA, which became effective on June 1, 2017. The Issuer will be the first Financing Entity under the FHPA to issue Funding Obligations as contemplated under the FHPA. The FHPA or any provisions thereof might be directly contested in courts or otherwise become the subject of litigation. The FHPA is novel legislation in Canada and therefore there are no precedents to rely on to support the validity of the FHPA.

As of the date of this confidential shelf offering memorandum, no such litigation has arisen; however, there can be no assurance that a lawsuit challenging the validity of some portion or all of the FHPA will not be filed in the future or that, if filed, such lawsuit will not be successful. If such a lawsuit were successful, and an invalidation of any relevant underlying legislative or regulatory provision were to result that did not constitute a Protection Event under the Change of Law Protection Agreement, a holder of Senior Notes may lose some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes. Even if the successful lawsuit constitutes a Protection Event, under the terms of the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee).

Future legislative action to change the FHPA, the Change of Law Protection Agreement or the electricity market might materially adversely affect a holder's investment in the Senior Notes.

The FHPA provides that no act or omission of the Crown shall be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. Ontario does not have a referendum or initiative process by which the FHPA may be amended or repealed. Therefore, the only way for such provisions of the FHPA to be amended or repealed would be through a subsequent legislative action by the Province of Ontario. A determination by the Province of Ontario that, for political or other reasons, the FHPA should no longer be law in Ontario or that the FHPA should be amended to limit or delay the recovery of Clean Energy Adjustments, could result in a decision to make such an amendment, repeal or revocation. Any such action that adversely affects the ability of the Issuer to receive amounts in respect of the Investment Interest so that it can pay Approved Obligations when due and payable (determined after taking into account certain factors described above in the definition of "Protection Event") would be subject to the Change of Law Protection Agreement. Under the Change of Law Protection Agreement, the Province of Ontario is not obligated to pay or indemnify the Indenture Trustee or any Specified Creditor for consequential, special or punitive damages, or for economic loss or loss of profits (provided that economic loss does not include any amount in respect of an amount due and payable to a Specified Creditor under the Limited Guarantee). See *"Change of Law Protection Agreement"*. However, future legislative action by the Province of Ontario could also be taken that would have the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement.

Canada does not have any constitutional protection of property rights. While an adverse impact of statutory measures on private property has, in some circumstances, been judicially held to entitle property owners to compensation, such entitlements themselves can also be extinguished by legislation. Accordingly, if the provisions of the FHPA referenced in the previous paragraph were amended or repealed through subsequent legislative action of the Province of Ontario and future legislative action was also taken by the Province of Ontario that had the effect of voiding or otherwise rendering invalid the Change of Law Protection Agreement, a holder of Senior Notes may lose some or all of their investment in the Senior Notes or experience significant delays in recovering their investment in the Senior Notes.

Future judicial action could reduce the value of a holder's investment in the Senior Notes.

The Investment Asset is the creation of the FHPA. There is uncertainty associated with investing in Senior Notes payable from an interest in an asset that depends on legislation for its existence because there is no juridical or regulatory experience implementing and interpreting the legislation or similar legislation in Canada. Because the Investment Asset is a creation of the FHPA, any judicial determination interpreting the FHPA or the Investment Asset might have an adverse effect on a holder of Senior Notes' investment in the Senior Notes.

Potential difficulties in enforcing civil liabilities against the Province of Ontario may arise.

Under the *Proceedings Against the Crown Act* (Ontario), the remedies of injunction and specific performance are not available against the Crown, nor may an order for execution or attachment be made against the Crown, although the remedy of damages is available. Nothing in the Change of Law Protection Agreement or the Program Agreements affects the rights, protections and immunities of the Crown under the *Proceedings Against the Crown Act* (Ontario). As a result, if the Province of Ontario fails to comply with the Change of Law Protection Agreement, the Indenture Trustee's ability to obtain an effective remedy against the Province of Ontario is limited and holders of Senior Notes may lose some or all of their investments in the Senior Notes or experience significant delays in recovering their investments.

Risks Associated with the Unusual Nature of the Investment Asset

Clean Energy Adjustments will not be payable until May 1, 2021 and until such time the IESO will be the sole source of funds for payment on the Senior Notes. Amounts paid by the IESO are not available to pay principal on the Senior Notes.

During the Moratorium Period, no Clean Energy Adjustments are permitted to be collected from Specified Consumers. During the Moratorium Period, a holder of Senior Notes must rely for payment by the Issuer of interest on the Senior

Notes, and the Issuer must rely for payment of all of its Carrying Costs, upon the IESO who is obligated under the Regulations to pay these Carrying Costs to the Issuer. The amounts paid by the IESO with respect to Carrying Costs cannot be applied on account of principal on the Senior Notes. The IESO has granted the Issuer a first-priority security interest in all its accounts receivable from Electricity Vendors, which includes the amounts receivable by the IESO from Electricity Vendors with respect to the global adjustment charge, as security for the performance of its regulatory obligation to pay the Carrying Costs to the Issuer. The IESO also has a $2 billion unsecured credit facility agreement with the Ontario Financing Authority, expiring September 30, 2022, which can be used to pay the Carrying Costs to the Issuer. There can be no assurance that the IESO will continue to have sufficient funds available to pay the Carrying Costs to the Issuer during the Moratorium Period. If the Issuer enforces the security granted to the Issuer by the IESO during this period, there can be no assurance that the IESO's accounts receivable from Electricity Vendors will be sufficient to pay the Carrying Costs to the Issuer and a holder of Senior Notes may suffer material payment delay on the Senior Notes during the Moratorium Period.

The Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed.

Under various Canadian bankruptcy, insolvency and restructuring statutes or Canadian federal or provincial receivership laws, including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Canada Business Corporations Act*, the *Winding-up and Restructuring Act*, and various provincial corporate statutes (collectively, "**Canadian Insolvency and Restructuring Laws**"), the Issuer's ability to enforce security granted by the IESO may be significantly impaired or delayed. In view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, it is not possible to predict how long payments of Carrying Costs by the IESO or enforcement of any letter of credit or performance guarantee provided by the IESO could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the IESO or whether or when the Issuer would be able to repossess or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Issuer, whether or not the Issuer votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to the Issuer with respect to the payment of Carrying Costs or enforcement of any security provided by the IESO.

A holder of Senior Notes may experience material payment delays because the source of funds for payment after the Moratorium Period is limited.

A holder of Senior Notes may suffer material payment delays on the Senior Notes if the collateral securing the Senior Notes is insufficient to pay the accrued interest on and the principal amount of those Senior Notes in full. During the Moratorium Period, a holder of Senior Notes must rely for payment by the Issuer of interest on the Senior Notes, and the Issuer must rely on the IESO for the funds necessary to pay its Carrying Costs, upon the IESO who is obligated under the Regulations to pay these Carrying Costs to the Issuer. Amounts paid by the IESO are not available to pay principal on the Senior Notes. After the Moratorium Period, the only source of funds for payments of interest on and principal of the Senior Notes will be the collateral. The collateral for the Senior Notes will include:

- the Investment Interest, including the right to impose, bill, collect and receive Clean Energy Adjustment amounts, inclusive of the True-up Amount;
- the cash and investments on deposit in the accounts held by the Indenture Trustee; and

- the Issuer's rights under various contracts described in this confidential shelf offering memorandum and under the FHPA.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, the IESO, OPG or any of their respective affiliates, the Indenture Trustee or any other person or entity, except pursuant to the Limited Guarantee provided by the Province of Ontario upon the occurrence of a Protection Event. See *"Change of Law Protection Agreement"*. The Senior Notes will be nonrecourse obligations, secured only by the collateral. Delays in payment on the Senior Notes might result in a reduction in the market value of the Senior Notes and, therefore, the value of a holder's investment in the Senior Notes.

The Senior 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 Senior Notes are not a debt or general obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. However, insofar as the Province of Ontario or any such political subdivision, agency or instrumentality is a Specified Consumer, such governmental entity will be obligated, in its capacity as a Specified Consumer, to pay Clean Energy Adjustment amounts that will be collected and remitted to the Issuer in respect of its Investment Interest securing the Senior Notes.

A holder of Senior Notes must rely for payment of principal of and interest on the Senior Notes solely upon the FHPA, rights to enforcement of the FHPA and of various agreements described in this confidential shelf offering memorandum, collections of Clean Energy Adjustment amounts and cash and investments on deposit in the related accounts held pursuant to the Master Trust Indenture.

The Clean Energy Adjustment may not be billed after April 30, 2047, unless further regulations to extend that date are passed.

The Clean Energy Adjustment may not be billed to Specified Consumers after April 30, 2047, unless further regulations to extend that date are passed. If Clean Energy Adjustment amounts billed through this period are not sufficient to repay the Senior Notes in full and further regulations to extend this date are not passed, apart from amounts in the capital accounts, if any, no other funds will be available to pay the unpaid balance due on the Senior Notes.

Foreclosure of the Indenture Trustee's lien on the Investment Interest securing the Senior Notes might not be practical and acceleration of the Senior Notes before maturity might have little practical effect.

Under the Master Trust Indenture, the Indenture Trustee on behalf of the holders of Senior Notes and other creditors has the right to foreclose or otherwise enforce the lien granted to the Indenture Trustee by the Issuer on the collateral securing the Senior Notes. However, in the event of foreclosure, there is likely to be a limited market, if any, for the collateral. Therefore, foreclosure might not be a realistic or practical remedy. Moreover, although principal of the Senior Notes will be due and payable upon acceleration of the Senior Notes before maturity, under the Regulations, the amount of the Clean Energy Adjustment may not be increased to take into account such acceleration (subject to limited exceptions depending on the Fair Allocation Amount at the time). As a result, this limitation on increases to the Clean Energy Adjustment at the time of any acceleration of the Senior Notes prior to maturity will result in principal of the Senior Notes being paid on acceleration as funds become available. However, upon such acceleration, the priority of principal payments to creditors of the Issuer will result in all accelerated Senior Notes being repaid in full before any further payments of principal are made to holders of subordinated indebtedness of the Issuer. In the event of an acceleration, holders of Senior Notes may be paid sooner or later than originally expected.

The Issuer may issue multiple Series of Senior Notes secured by the Investment Interest and some decisions affecting holders of Senior Notes may require the approval of all Series.

The Issuer may issue multiple Series of Senior Notes all of which will be secured by the collateral securing the Senior Notes. The Issuer may not issue additional Series of Senior Notes if the issuance would not satisfy the Rating Agency Condition and certain other conditions precedent in the Master Trust Indenture. See *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*. If additional Series of Senior Notes are issued, Clean Energy Adjustment amounts collected by or for the benefit of the Issuer will be prorated among the Series of Senior Notes based on the respective amounts of interest and principal due and payable or required to be accumulated in respect of each Series of Senior Notes. Any issuance of additional Series of Senior Notes by the

Issuer could cause reductions or delays in payment on the Senior Notes. In addition, some matters relating to the Senior Notes issued by the Issuer may require the vote of the holders of all Series of Senior Notes. The interests of holders of a particular Series of Senior Notes in these votes might conflict with the interests of the holders of another Series of Senior Notes. Thus, these votes could result in an outcome that is materially unfavorable to holders of a particular Series of Senior Notes.

The Master Trust Indenture contains Events of Default (other than those pertaining to the insolvency of the Issuer or invalidity of the Change of Law Protection Agreement) that can only be declared by Debtholders who hold at least 25% of the outstanding Controlling Class Obligations. If any such Event of Default has occurred and is continuing, Debtholders who hold at least 50% of the outstanding Controlling Class Obligations may accelerate all Issuer Funding Obligations (other than Derivative Funding Obligations). However, it is possible for individual Series of Senior Notes to have their own acceleration events such that those individual Series of Senior Notes may be accelerated while other Series of Issuer Funding Obligations would not be accelerated. In such a case, (i) the allocation of Available Collections to the holders of accelerated Series of Issuer Funding Obligations in a Class would be higher relative to the non-accelerated Series of Issuer Funding Obligations of that Class than it would otherwise be, and (ii) after payment in full of accelerated Senior Notes and other Senior Funding Obligations and once all amounts due and payable on non-accelerated Senior Notes and other Senior Funding Obligations have been satisfied on any principal payment date, amounts remaining for payment of principal would be allocated to the repayment of principal on both accelerated and non-accelerated subordinated debt, as applicable. In certain cases, a declaration of acceleration or an automatic acceleration may also be rescinded by Extraordinary Resolution if (i) the Issuer has paid all overdue interest, principal that has become due (other than by reason of acceleration) on Controlling Class Obligations and other amounts set out in the Master Trust Indenture, and (ii) all Events of Default (other than non-payment of principal) have been cured or waived. See *"Capital Markets Platform — Acceleration and Remedies — General"*.

If a Series of Senior Notes or all Senior Notes are accelerated, a holder of Senior Notes might receive payment of principal sooner or later than expected.

Under certain circumstances it is possible that all outstanding Senior Notes will be accelerated as a Class or that certain Series of Senior Notes will be accelerated while other Series of Senior Notes will not be accelerated. See *"Capital Markets Platform – Acceleration and Remedies"*. The possibility of certain Series of Senior Notes accelerating while other Series of Senior Notes do not accelerate would arise if (i) an Event of Default occurs but Noteholders holding at least 50% of all outstanding Senior Notes do not approve the acceleration of all outstanding Senior Notes, and (ii) holders of Senior Notes of a particular Series approve the acceleration of the Senior Notes of that Series by the requisite majority of holders of that Series as set out in the applicable supplemental indenture for that Series.

If all Senior Notes are accelerated the application of available funds will be as described under *"Capital Markets Platform -- Acceleration and Remedies"* for all Senior Notes. It is possible that holders of 50% or more of the outstanding principal balance of all Senior Notes will approve the acceleration of all Senior Notes even if holders of a particular Series of Senior Notes do not vote in favour of the acceleration of the Senior Notes of that Series.

If only certain Series of Senior Notes are accelerated, then the outstanding principal balance of those Series of Senior Notes will become immediately due and payable but the payment due dates of those Series of Senior Notes that have not been accelerated will not change. In this case, the application of available funds will continue as described under *"Capital Markets Platform -- Payment Waterfalls Prior to Acceleration"*.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of subordinated indebtedness will be applied to repay principal of the accelerated Senior Notes. This could result in a holder of Senior Notes that have been accelerated receiving payment of principal sooner than expected. If a Series of Senior Notes has not been accelerated, the payment of principal on such Senior Notes should not occur earlier than expected as the payment due dates for such Senior Notes will not have been accelerated.

Where all Series of Senior Notes or only certain Series of Senior Notes are accelerated, available funds that would otherwise be used to pay the principal amount of the Senior Notes in accordance with the original repayment schedules of such Senior Notes may be applied to repay principal of the accelerated Senior Notes *pari passu* with the principal due on all outstanding Senior Notes (subject to the payment priority given to Warehouse Obligations). If accelerated Senior Notes were not expected to be repaid before a particular Series of Senior Notes at the time the accelerated Senior Notes were issued, the acceleration of such Senior Notes could result in the holder of a particular Series of Senior Notes receiving payment of principal later than expected.

The Issuer may have a co-ownership interest in the Investment Asset with other Financing Entities.

The FHPA authorizes the establishment of one or more Financing Entities that may incur Funding Obligations for the purpose of acquiring Investment Interests. The Master Trust Indenture does not contain any restrictions on the establishment of other Financing Entities or any restrictions on the Transfer by the IESO of specified portions of the Regulatory Asset to other Financing Entities. If additional Funding Obligations are incurred by other Financing Entities to acquire an Investment Interest, the Investment Asset will be co-owned by all Financing Entities (including the Issuer) and consequently Clean Energy Adjustment amounts collected by or for the benefit of the Financing Entities will be prorated among all Investment Interest owners based on the respective amounts of Clean Energy Adjustment amounts invoiced and not yet paid. Any issuance of Funding Obligations by other Financing Entities could cause reductions or delays in payment on the Senior Notes.

If the Clean Energy Adjustment amounts and other funds held in the Issuer Accounts results in investment losses or the investments become illiquid, a holder of Senior Notes might receive payment of principal of and interest on the Senior Notes later than expected.

Funds held in the Issuer Accounts will be invested in Eligible Investments. Eligible Investments include, among other categories, money market funds having a rating in the highest investment category from each applicable Rating Agency. Although investments in these money market funds have traditionally been viewed as highly liquid with a low probability of principal loss, illiquidity and principal losses have been experienced by investors in certain of these funds as a result of disruptions in the financial markets in recent years. If investment losses or illiquidity are experienced, a holder of Senior Notes might experience a delay in payments of principal and interest and a decrease in the value of their investment in the Senior Notes.

Servicing, Operating and Consumer Risks

Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.

The Issuer's receipt of Clean Energy Adjustment amounts, which will be used to make payments on the Senior Notes, will depend in part on the skill and diligence of Electricity Vendors and the IESO and their respective successors in performing their respective duties under the FHPA and, with respect to the IESO, the Master Transfer and Servicing Agreement.

The FHPA and the Master Transfer and Servicing Agreement impose new duties and obligations on the IESO and Electricity Vendors. There can be no assurances that the new duties and obligations of the IESO and the Electricity Vendors will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA and the Master Transfer and Servicing Agreement. If the IESO ceases to perform, or inadequately performs, its collection, remittance, forecasting and other functions under the terms of the FHPA and the Master Transfer and Servicing Agreement, it might be difficult to enforce these obligations against the IESO. While the Indenture Trustee has the right to replace the IESO, as servicer, on an Event of Default upon receipt of an Ordinary Resolution, it might be difficult to find a replacement for the IESO or a successor servicer. Also, any successor servicer might have less experience and ability than the IESO and might experience difficulties in collecting Clean Energy Adjustment amounts or providing forecast information, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor servicer would likely charge fees for the provision of such services and such fees could be material.

If an Electricity Vendor or the IESO fails to collect or remit sufficient Clean Energy Adjustment amounts for any reason, then the IESO's payments to the Issuer in respect of the Clean Energy Adjustments might be delayed or

reduced. In that event, payments on the Senior Notes might be delayed or reduced. In addition, any person into which the IESO may be merged, converted or amalgamated or that may succeed to the properties and assets of the IESO substantially as a whole will assume the role of servicer under the Master Transfer and Servicing Agreement, subject only to the satisfaction of the conditions set forth therein. These conditions do not include either the consent of holders of Senior Notes or satisfaction of the Rating Agency Condition.

Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager.

The FHPA imposes new duties and obligations on OPG, as Financial Services Manager, and the Program Agreements impose new duties and obligations on OPG, as Manager. There can be no assurances that the new duties and obligations of OPG will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA and the Program Agreements. If OPG, as Financial Services Manager, ceases to perform, or inadequately performs, its statutory duties under the FHPA, including determining the Clean Energy Adjustment (inclusive of the True-up Amount), the Indenture Trustee will have no right to replace OPG as Financial Services Manager. If OPG ceases to perform, or inadequately performs, its management duties under the Management Agreement, the Indenture Trustee has the right to replace the Manager on an Event of Default upon receipt of an Ordinary Resolution but it might be difficult to find a replacement for OPG or a successor manager. Also, any successor manager might have less experience and ability than OPG, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor manager would likely charge fees for the provision of such services and such fees could be materially higher than the fees charged by OPG.

Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.

Clean Energy Adjustment amounts will be calculated based upon a forecast of Specified Consumer usage to be newly developed based on forecast information provided by the IESO. Under the Regulations, the IESO is required to provide forecast information to the OEB and the Issuer, which forecast information will be used by the OEB to forecast electricity consumption of Specified Consumers in respect of the relevant period. The amount of the Clean Energy Adjustment collected in any period will depend in part on actual electricity usage by Specified Consumers and the amount of collections and write-offs for Specified Consumers. If the IESO or a successor inaccurately forecasts electricity consumption or if OPG uses inaccurate consumer delinquency or write-off data when setting or adjusting the Clean Energy Adjustment, there could be a shortfall or material delay in collections, which might result in missed or delayed payments of principal and interest on the Senior Notes.

Inaccurate forecasting of electricity consumption by the IESO might result from, among other things unanticipated weather, resulting in less electricity consumption than forecast; general economic conditions being worse than expected, causing Specified Consumers to reduce their electricity consumption; the occurrence of a natural disaster, wind storm or an act of terrorism, cyber-attack or other catastrophic event unexpectedly disrupting electrical service and reducing electricity consumption; unanticipated changes in the market structure of the electric industry; Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario; dramatic and unexpected changes in energy prices resulting in decreased electricity consumption; Specified Consumers consuming less electricity than anticipated because of increased energy prices, unanticipated increases in conservation efforts or unanticipated increases in electricity consumption efficiency; differences or changes in forecasting methodology; or Specified Consumers switching to alternative sources of energy, including self-generation or co-generation of electric power in some cases without using Ontario's transmission or distribution system. Self-generators that receive no transmission or distribution service from the Province of Ontario are not liable for the Clean Energy Adjustment. The FHPA does not require exit fees to be charged to any Specified Consumers that might leave the grid to self-generate.

Inaccurate forecasting of delinquencies or write-offs by OPG could result from, among other things unexpected deterioration of the economy, the occurrence of a natural disaster, an act of war or terrorism or other catastrophic events causing greater write-offs than expected or forcing Electricity Vendors to grant additional payment relief to Specified Consumers; the failure of Electricity Vendors to submit accurate and timely information regarding their collections and write-offs; an unexpected change in law that makes it more difficult for Electricity Vendors to terminate service to nonpaying Specified Consumers, or that requires Electricity Vendors to apply more lenient credit standards for Specified Consumers.

Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.

The methodology for determining the amount of the Clean Energy Adjustment invoiced to each Specified Consumer is specified in FHPA. None of OPG, the IESO or any Electricity Vendor, as it performs its billing and collection functions on the Issuer's behalf, may change this methodology. However, subject to applicable law, tariff and regulatory requirements, billing and collection arrangements with each Specified Consumer may be changed in a manner that delays or reduces the payments to the Issuer in respect of the Clean Energy Adjustment, which might result in missed or delayed payments of principal and interest on the Senior Notes.

Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.

To the extent that Specified Consumers do not pay for their electricity service, Electricity Vendors will not be able to collect the Clean Energy Adjustment from these Specified Consumers. Electricity Vendors have the ability to terminate service for non-payment subject to the terms of their conditions of service, which conditions must be consistent with the OEB's rules regarding disconnection. Under OEB rules, Electricity Vendors are prohibited from disconnecting or threatening to disconnect homes for non-payment during the winter from November 15 to April 30 every year. Historical rates of non-payment are included in the calculations of the Clean Energy Adjustment, but increases in the rates of non-payment would reduce the Clean Energy Adjustment until it is adjusted through the True-up Amount in a subsequent Reference Period.

It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers

Under the FHPA, the Issuer may bring an action against a Specified Consumer for non-payment of the Clean Energy Adjustment, but only an Electricity Vendor may terminate service for failure to pay the Clean Energy Adjustment. The FHPA provides that partial payment of electricity invoices shall be allocated pro rata among the Clean Energy Adjustment and other charges on the invoice. Since the Issuer does not have the threat of termination of service available to enforce payment of the Clean Energy Adjustment, it would need to rely on the Electricity Vendor to threaten to terminate service for nonpayment of other portions of the electricity invoice. This inability might reduce the value of a holder's investment in the Senior Notes.

Delinquent or partial payments of electricity bills may make payments on the Senior Notes occur later than expected.

The amount and the rate of collection of the Clean Energy Adjustment, including the True-up Amount, will impact whether there is a delay in the scheduled payments on the Senior Notes. If the Clean Energy Adjustment amounts are collected at a slower rate than expected, OPG might have to make adjustments to the Clean Energy Adjustment for a subsequent Reference Period through the True-up Amount. Until such adjustments are made or, if those adjustments are not timely and accurate, there may be a delay in payments of principal and interest and a decrease in the value of the Senior Notes.

Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.

OPG will be obligated under the Management Agreement to indemnify the Issuer and the Indenture Trustee only in specified circumstances. Likewise, the IESO will be obligated under the Master Transfer and Servicing Agreement and the Acknowledgement and Indemnity Agreement to indemnify the Issuer and the Indenture Trustee only in specified circumstances.

Furthermore, neither OPG nor the IESO may have sufficient funds available to satisfy its indemnification obligations, and the amount of any indemnification paid by OPG or the IESO, as applicable, might not be sufficient for holders of Senior Notes to recover all of their investment in the Senior Notes. In addition, if OPG or the IESO becomes obligated to provide indemnification, the ratings on the Senior Notes might be downgraded as a result of the circumstances causing the breach.

Power outages could impair payment of the Senior Notes.

Ontario experiences seasonal conditions typical of southeastern Canada. Summers are usually hot with high temperatures in excess of 20° Celsius. Winters include snow and icy conditions that can be damaging to overhead power lines. Transmission and/or distribution and generation facilities could be damaged depending on weather conditions and usage of electricity could be interrupted temporarily or for long periods of time, reducing the Clean Energy Adjustment amounts collected in one or more Reference Periods.

Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Technological developments and/or tax or other economic incentives might result in the introduction of economically attractive, more fuel-efficient, more environmentally-friendly and/or more cost-effective alternatives to purchasing electricity through Electricity Vendors for increasing numbers of Specified Consumers. Manufacturers of self-generation facilities may develop smaller-scale, more fuel-efficient on-site generating and/or storage units that can be cost-effective options for a greater number of Specified Consumers. Moreover, an increase in self-service power may result if extreme weather conditions result in regular shortages of grid-supplied energy or if other factors cause grid-supplied energy to be less reliable. Specified Consumers who self-generate their electricity may use it to offset, or eliminate, their consumption from the grid thereby reducing, or eliminating, the Clean Energy Adjustment amounts payable by such Specified Consumers. Technological developments might allow greater numbers of Specified Consumers to reduce or even altogether avoid the payment of Clean Energy Adjustment amounts under such provisions through on-site generation, including where coupled with on-site storage capacity. This might reduce the kilowatt-hours of electric energy delivered to Specified Consumers by means of an Electricity Vendor's system, thereby causing Clean Energy Adjustment charges to the remaining Specified Consumers to increase. Such increases may reduce the collectability of the Clean Energy Adjustment.

Unexpected significant population decreases in the Province of Ontario or Specified Consumers unexpectedly ceasing business or departing from the Province of Ontario may adversely affect the amount of the Clean Energy Adjustment to be invoiced, collected and recovered from Specified Consumers. The decrease in the population of the Province of Ontario may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment. The increased impact on the remaining Specified Consumers could lead to increased potential consumer defaults and delays, billing lags and write-offs or variations in billing due to variations in electricity consumption.

Insolvency-Related Risks

If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.

Trusts such as the Issuer ordinarily cannot seek protection under the principal Canadian Insolvency and Restructuring Laws (other than a receivership). However, in view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, the courts' inherent jurisdiction and otherwise, it is not possible to state with certainty that the Issuer could not become subject to Canadian Insolvency and Restructuring Laws. If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed. It is not possible to predict how long payments under the Senior Notes could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws by the Issuer or whether or when the Indenture Trustee would be able to enforce upon or dispose of the assets over which it holds a security interest. Canadian Insolvency and Restructuring Laws also contemplate the granting of super priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor company to secure the repayment of any amounts to be borrowed to facilitate the insolvency proceeding, any amounts owing for the fees and costs of professionals involved in the insolvency proceeding, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization,

if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including the Indenture Trustee and the Noteholders, whether or not the Indenture Trustee or any holders of Senior Notes votes in favour of the restructuring proposal or plan of arrangement or reorganization. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to the Indenture Trustee and the holders of Senior Notes under the Master Trust Indenture or in respect of the collateral.

If the IESO were to become subject to Canadian Insolvency and Restructuring Laws, the Transfers of specified portions of the Regulatory Asset by the IESO may not be respected as true sales of the Regulatory Asset.

Ordinarily, the interests of the Issuer as acquirer of an Investment Interest may be subordinate to statutory deemed trusts and other non-consensual liens, trusts and claims created or imposed by statute or rule of law on the property of the IESO arising prior to the time the corresponding Regulatory Asset was Transferred to the Issuer. This could reduce the amounts that may be available to the Issuer in respect of the Investment Interest and, consequently, the holders of Senior Notes. Section 27(3) of the Act provides that at the time of the Transfer of the Regulatory Asset to a Financing Entity, such Transfer shall be deemed to have been perfected, vested, valid and binding against the IESO and all other persons who have claims of any kind against the IESO. Section 27(4) of the Act provides that section 27(3) applies regardless of whether the persons who have claims have received notice of the Transfer and the property rights and interests acquired by the Transferee shall have priority over any liens in favour of those persons. However, in the event that the IESO becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these provisions of the Act in such circumstances is untested. The Transfers of the Regulatory Asset to the Issuer will be made in accordance with section 26 of the Act. Section 27(1) of the Act provides that a Transfer of a specified portion of the Regulatory Asset under section 26 constitutes a valid and enforceable absolute assignment, conveyance and sale of the corresponding Investment Interest to the Transferee. Therefore, the Investment Interest would not form part of the assets of the IESO and would not be available to the creditors of the IESO. However, with respect to certain insolvency events relating to the IESO, it is possible that an insolvency administrator or a creditor of the IESO may attempt to argue that the transactions between the IESO and the Issuer are not true sales of the Regulatory Asset. This position, if accepted by a court applying federal bankruptcy and insolvency laws, could prevent timely or ultimate payment of amounts due to the Issuer and, consequently, due from the Issuer to holders of Senior Notes.

These risks are in addition to the insolvency risks of the IESO noted above under *"Risks Associated with the Unusual Nature of the Investment Asset"*.

If the IESO or any Electricity Vendor were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against the IESO or such Electricity Vendor may be significantly impaired or delayed.

Under the Master Transfer and Servicing Agreement, collections received by the IESO are to be held by the IESO in a segregated account. Until Clean Energy Adjustments are remitted to the IESO by Electricity Vendors, amounts collected by the Electricity Vendors are to be held by Electricity Vendors in segregated accounts. If the IESO or any Electricity Vendor fails to hold collections in a segregated account, then to the extent that funds are commingled and used for the benefit of the IESO or such Electricity Vendor prior to making required deposits, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of the IESO or the Electricity Vendor, the ability of the Issuer to enforce its rights to the collections in a timely manner may be adversely affected and collections that have been commingled may be unrecoverable. In the event of the insolvency of the IESO, the right of the Issuer under the Master Transfer and Servicing Agreement to appoint a replacement servicer may be stayed or prevented.

These risks are in addition to the insolvency risks of the IESO noted above under *"Risks Associated with the Unusual Nature of the Investment Asset"*.

If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against the Manager may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.

Section 53.1 of the *Electricity Act, 1998* (Ontario), as amended by the *Fair Hydro Act, 2017* (Ontario), provides that, regardless of whether a Financing Entity is or is not a subsidiary of OPG: (a) the assets and liabilities of the Financing Entity shall not form part of the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary); and (b) the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary) shall not form part of the assets and liabilities of the Financing Entity. However, in the event that OPG becomes insolvent, its insolvency would be subject to federal bankruptcy and insolvency legislation and the effect of these provisions of the *Electricity Act, 1998* (Ontario), as amended by the *Fair Hydro Act, 2017* (Ontario), in such circumstances is untested. In particular, in the event of the liquidation, insolvency, receivership or administration or other proceeding under Canadian Insolvency and Restructuring Laws of OPG, the ability of the Issuer to enforce certain of its rights in and to the Investment Interest in a timely manner may be adversely affected. Such affected rights may include the right to appoint a replacement Manager. It is possible that the creditors of OPG may attempt to substantively consolidate the assets and liabilities of OPG and the Issuer. The Issuer and OPG have taken steps to minimize this risk. However, no assurance can be given that, in the case of the insolvency of OPG, a court would not order that the Issuer's assets and liabilities be substantively consolidated with those of OPG. Such substantive consolidation would result in all creditors of OPG and the Issuer being paid out of a common pool of assets, with no distinction as to which assets are property of OPG and which assets are property of the Issuer, and could cause payment of the claims of the beneficial owners of the Senior Notes to be subject to substantial delay and to adjustment in timing and amount.

If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.

In the case of the insolvency of the Issuer Trustee, it is possible that the creditors of the Issuer Trustee may attempt to argue that the assets of the Issuer are held by the Issuer Trustee in its personal capacity (and not as trustee of the Issuer) and are to be available to the creditors of the Issuer Trustee. Assuming that the Issuer Trustee deals with the assets of the Issuer in accordance with the provisions of the Declaration of Trust, the assets of the Issuer would not constitute property of the Issuer Trustee available for distribution to the creditors of the Issuer Trustee. An insolvency administrator appointed with respect to the Issuer Trustee may be able to recover from the property of the Issuer a portion of its costs that are incurred until a replacement for the Issuer Trustee, as trustee of the Issuer, is appointed or pending any proceeding in respect of the property of the Issuer. Such costs may exceed the compensation provided for in the Declaration of Trust.

If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.

The application to a Specified Consumer of Canadian Insolvency and Restructuring Laws and related provincial laws could also affect the ability to collect the Clean Energy Adjustments due for the period prior to the insolvency. Federal bankruptcy laws generally discharge bankrupt Specified Consumers who are individuals of their obligation to pay Clean Energy Adjustment amounts due for the period prior to the individual being discharged from bankruptcy.

If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Amounts that are on deposit from time to time in the Issuer Accounts for any Series may be invested in Eligible Investments. If insolvency proceedings were to be commenced by or against any entity with which an Eligible Investment is made or which is an issuer, obligor or guarantor of any Eligible Investment, the ability of the Indenture Trustee to enforce its rights in respect of any such Eligible Investment and the ability of the Issuer to make payments to holders of Senior Notes in a timely manner may be adversely affected. In order to reduce this risk, the Eligible Investments must satisfy certain ratings criteria. See *"Rating Agency Condition"*.

Other Risks

The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.

The Senior Notes will be rated by one or more established rating agencies. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Thus, the Issuer might repay the principal of a holder of Senior Notes later than expected, which might materially reduce the value of a holder's investment in the Senior Notes.

If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.

There is no assurance that any credit rating will remain in effect for any given period of time. The ratings on the Senior Notes may be withdrawn or revised downward at any time without notice, which may have an adverse effect on the market price of the Senior Notes. A rating is not a recommendation to buy, sell or hold the Senior Notes. The ratings merely analyze the probability that the Issuer will repay the total principal amount of each series of Senior Notes at its final principal payment date (which is later than the Principal Payment Date(s)) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to any expected sinking fund schedule. Ratings on the Senior Notes may be lowered, qualified or withdrawn at any time without notice.

The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.

The Senior Notes will not be insured or guaranteed by the Province of Ontario, IESO, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. Although neither the IESO nor OPG are obligors in respect of the Senior Notes, a downgrading of the current credit ratings of the IESO, OPG or the Province of Ontario might have an adverse effect on the market value of the Senior Notes, particularly, with respect to the IESO, during the Moratorium Period when no Clean Energy Adjustments are permitted to be collected from Specified Consumers. Credit ratings might change at any time. A rating agency has the authority to revise or withdraw its rating based solely upon its own judgment.

The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.

There is no public market for the Senior Notes, and the Issuer does not intend to apply for a listing of the Senior Notes on any stock exchange. There can be no assurance as to the liquidity of the trading market for the Senior Notes or that a trading market for the Senior Notes will develop.

There is currently no secondary market for the Senior 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 such Senior Notes with liquidity for their investment or that it will continue for the term of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date of the Senior Notes.

If an active market does develop for the Senior Notes, the market price on the Senior Notes will depend on many factors including, but not limited to, (i) the Issuer's credit rating and the credit rating of the Senior Notes; (ii) the prevailing interest rates being paid on similar securities; (iii) the Issuer's financial condition and future prospects; and (iv) the overall condition of the economy and the financial markets. The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations could have an adverse effect on the market price of the Senior Notes.

The Financial Services Manager has the ability to determine whether to refinance Senior Notes maturing after May 2024 through the issuance of another Series of Senior Notes. However, there can be no assurance that Senior Notes can be refinanced on or before their applicable Principal Payment Default Date.

Restrictions on resale might limit the ability to resell the Senior Notes.

The Senior Notes may not be offered or sold, directly or indirectly, in Canada or to or for the account of any Canadian resident except, in the case of sales made in any province of Canada, pursuant to an exemption from the prospectus requirements under applicable securities laws. The Issuer currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering of Senior Notes. As a result, the Senior Notes purchased pursuant to this confidential shelf offering memorandum will be subject to restrictions on resale, and may only be resold if a further statutory exemption may be relied upon by the investor or if an appropriate discretionary order or consent is obtained pursuant to applicable securities laws. See "Restrictions on Resale".

REPRESENTATIONS AND AGREEMENTS OF PURCHASERS

The distribution of the Senior Notes in Canada is being made on a private placement basis. By purchasing Senior Notes and accepting a purchase confirmation in respect thereof, a purchaser in Canada will be deemed to have represented to the Issuer and the Agents that, as at the date of such purchaser's purchase of Senior Notes:

(a) none of the Issuer, the Agents or any person representing the Issuer or the Agents has made any representations to it (written or oral) with respect to the Issuer, any Offering or sale of the Senior Notes, other than the information contained in this confidential shelf offering memorandum which has been delivered to it;

(b) it is resident in a province of Canada (each an "**Offering Jurisdiction**") and is entitled under applicable securities laws of such Offering Jurisdiction to purchase the Senior Notes without the benefit of a prospectus qualified under those securities laws and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale has occurred only in one of the provinces of Canada;

(c) the purchaser has been provided the opportunity to receive a copy of the Master Trust Indenture and each of the Supplemental Indentures;

(d) the purchaser has reviewed and acknowledges the terms referred to below under the section entitled "Restrictions on Resale";

(e) it is basing its investment decision solely on this confidential shelf offering memorandum and not on any other information or statement concerning the Issuer or any Offering and it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display) with respect to the distribution of the Senior Notes;

(f) it has been independently advised as to restrictions with respect to trading in the Senior Notes imposed by applicable securities laws in the jurisdiction in which it resides, confirms that no representation (written or oral) has been made to it by or on behalf of the Issuer or an Agent with respect thereto, acknowledges that it is aware of the characteristics of the Senior Notes, the risks relating to an investment in the Senior Notes and of the fact that it may not be able to resell the Senior Notes except in accordance with limited exemptions under applicable securities legislation and regulatory policy and compliance with the other requirements of applicable law; and it agrees that any certificates representing the Senior Notes will bear a legend indicating that the resale of such Senior Notes is restricted; the purchaser further acknowledges that it has been advised to consult its own legal counsel in its jurisdiction of residence for full particulars of the resale restrictions applicable to it and has reviewed and acknowledges the terms referred to under the heading "Restrictions on Resale"; and the purchaser further acknowledges that if it resells the Senior

Notes in compliance with applicable law it will give notice to the subsequent transferee during the restricted period noted under the heading "Restrictions on Resale" of such restrictions;

(g) it acknowledges the risks relating to an investment in the Senior Notes and it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Senior Notes, it and any accounts for which it is acting have the ability to bear the economic risks of the prospective investment and can afford the complete loss of such investment and it acknowledges that it and any accounts for which it is acting may be required to bear the financial risks of this investment for an indefinite period of time;

(h) it acknowledges that: (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Senior Notes; and (ii) there is no government or other insurance covering the Senior Notes;

(i) it acknowledges that no person has made any oral or written representation to it that any person will re-sell or re-purchase the Senior Notes, or refund any part or all of the purchase price of the Senior Notes, or that the Senior Notes will be listed on any exchange or quoted on any quotation and trade reporting system, or that any application has been or will be made to list the Senior Notes on any exchange or quote the notes on any quotation and trade reporting system, and no person has given any undertaking to such purchaser relating to the future value or price of the Senior Notes;

(j) none of the funds being used to purchase the Senior Notes are, to the best of the purchaser's knowledge, (i) proceeds obtained by or derived, directly or indirectly, as a result of illegal activities, or (ii) being tendered on behalf of a person or entity who has not been identified to the purchaser;

(k) the funds being used to purchase the Senior Notes and advanced by or on behalf of the purchaser to the Agents do not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada);

(l) the purchaser is responsible to obtain independent investment, legal and tax advice with respect to its purchase of the Senior Notes and accordingly has had the opportunity to acquire an understanding of the transaction described in this confidential shelf offering memorandum and the meanings of all the terms contained herein relevant to such purchase for the purpose of giving acknowledgements, representations and agreements under this confidential shelf offering memorandum;

(m) it (i) is an "accredited investor" (as such term is defined in NI 45-106 and, in the case of a purchaser resident in Ontario, section 73.3(1) of the *Securities Act* (Ontario)) that is not an individual, unless such individual is also a "permitted client" (as such term is defined in NI 31-103); (ii) is either (A) purchasing the Senior Notes as principal, (B) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation of a jurisdiction of Canada (other than a trust company or trust corporation registered solely under the laws of the Province of Prince Edward Island) or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be, or (C) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or foreign jurisdiction; and (iii) was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106;

(n) the purchaser has provided applicable certifications and/or other information or documentation to the Agents and the Issuer to evidence its status and criteria for compliance with the relevant category of "accredited investor," understands that the Agents and the Issuer may be required to verify that the purchaser satisfies such criteria, and that the purchaser may be required to provide additional information or documentation to the Agents and the Issuer to evidence such compliance;

(o) the purchaser, if resident in the Province of Québec, has agreed that all documents relating to such purchase be in English only, as more particularly described under the heading "Language of Documents". *L'acquéreur, s'il réside dans la Province de Québec, accepte que tous les documents liés à son acquisition soient en langue anglaise uniquement, tel qu'il est plus amplement décrit sous la rubrique «Langue des documents»*;

(p) it will execute, deliver and file such reports, undertakings and other documents relating to his, her or its purchase of the Senior Notes as may be required by applicable securities laws, regulations and rules, or assist the Issuer and the Agents, as applicable, in obtaining and filing such reports, undertakings and other documents;

(q) it is not a U.S. person (as such term is defined in Regulation S under the U.S. Securities Act), none of the Senior Notes are being or will be acquired, directly or indirectly, for the account or benefit of a U.S. person, the purchaser was not offered any of the Senior Notes in the United States, the purchaser did not execute or deliver any agreement in connection herewith in the United States, and the purchaser is aware that the Senior Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any State of the United States and that the Senior Notes may not be offered or sold in the United States without registration under the U.S. Securities Act or except in compliance with the requirements of an exemption from registration;

(r) if the purchaser is acquiring any Senior Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the acknowledgements, representations and agreements contained herein on behalf of each such account;

(s) the offer and sale of the Senior Notes is conditional upon the offer and sale being exempt from the prospectus filing requirements of applicable securities law;

(t) the purchaser acknowledges that the Issuer may be required to disclose to applicable securities regulatory authorities the identity of the purchaser and any person with a beneficial interest in the Senior Notes;

(u) except for any rating reports that may have been issued by the applicable Rating Agencies, no agency, governmental authority, regulatory body, stock exchange or other entity has made any finding or determination as to the merit for investment of, nor have any such agencies or governmental authorities, regulatory bodies, stock exchanges or other entities made any recommendation or endorsement with respect to the Senior Notes;

(v) if the purchaser is:

(i) a corporation, it is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof;

(ii) a partnership, syndicate or other form of unincorporated organization, it has the necessary legal capacity and authority to purchase the Senior Notes and to make such representations and agreements as contemplated herein and has obtained all necessary approvals in respect thereof; or

(iii) an individual, he or she is of the full age of majority, is a "permitted client" as such term is defined in NI 31-103 and is legally competent to purchase the Senior Notes and to make such representations and agreements as contemplated herein;

(w) the purchaser is not an "insider" of the Issuer (within the meaning of Canadian securities laws) and is not registered or required to be registered as a dealer, adviser or otherwise under the securities

laws of any province of Canada (unless in either case it has specifically provided written advice to the contrary to the Issuer and to the Agents);

(x) it will, if requested by the Issuer or the Agent from whom the purchase confirmation is received, provide evidence of the basis of its above representations; and

(y) the Issuer, the Agents and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and it agrees that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Senior Notes are no longer accurate, it shall promptly notify the Issuer and the Agents for the applicable Offering of Senior Notes.

In addition, each purchaser of Senior Notes, by purchasing Senior Notes and accepting a purchase confirmation in respect thereof, represents to the Issuer and the Agents for the applicable Offering of Senior Notes that the purchaser:

(a) has been notified by the Issuer:

(i) that the Issuer is required to provide information pertaining to the purchaser of Senior Notes required to be disclosed in Schedule 1 of Form 45-106F1 under NI 45-l06 (including its name, address, telephone number and the number and value of securities purchased), which Form 45-106F1 the Issuer is required to file under NI 45-106;

(ii) that such personal information will be delivered to the applicable Canadian securities regulatory authorities (the "**Commissions**") in accordance with NI 45-106;

(iii) that such personal information is being collected indirectly by the applicable Commission under the authority granted to it in securities legislation;

(iv) that such personal information is being collected for the purposes of the administration and enforcement of securities legislation; and

(v) that the public official in the provinces of Canada who can answer questions about the indirect collection of such personal information is set out in Schedule A of this confidential shelf offering memorandum, and

(b) has authorized the indirect collection of the personal information by the applicable Commission.

By purchasing Senior Notes, the purchaser also acknowledges that its name and other specified information, including the number of Senior Notes it has purchased, may be disclosed to other Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable laws and consents to the disclosure of that information. Furthermore, by purchasing the Senior Notes, the purchaser acknowledges that certain information as to its status as an "accredited investor" that the purchaser may have provided to any Agent involved in the trade may be required to be delivered by such Agent to the Issuer under the terms of an Agency Agreement between the Issuer, OPG and the Agents referred to under "Plan of Distribution". By purchasing the Senior Notes, the purchaser consents to the disclosure of such information.

LANGUAGE OF DOCUMENTS

Upon receipt of this confidential shelf offering memorandum, each purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Senior Notes described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *En recevant le présent document, chaque acquéreur confirme par les présentes qu'il a expressément demandé que tous les documents qui attestent la vente des débentures décrites dans les présentes ou qui s'y rapportent de quelque manière que ce soit (y compris, plus particulièrement, une confirmation d'achat ou un avis) soient rédigés en langue anglais seulement.*

RESTRICTIONS ON RESALE

The distribution of the Senior Notes in the provinces of Canada is being made on a private placement basis and is therefore exempt from the requirement that the Issuer prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Senior Notes must be made: (a) through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws; and (b) in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws. These resale restrictions may in some circumstances apply to resales made outside of Canada. Purchasers are advised to seek legal advice prior to any resale of the Senior Notes.

Purchasers are advised that the Issuer does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Senior Notes to the public in any province of Canada in connection with any Offering.

Furthermore, each purchaser of Senior Notes, by its purchase thereof, will be deemed to have represented, acknowledged or confirmed, as the case may be, to the Issuer and any dealer who is involved in the sale of the Senior Notes to such purchaser that such purchaser understands that the Senior Notes are subject to transfer and resale restrictions in Canada and that the certificates representing the Senior Notes (or the relevant ownership statement under a direct registration system or other book-entry system) or other applicable document or notice (including this document) will bear or will notify the purchaser of the following legend:

> "EXCEPT IN THE PROVINCE OF MANITOBA, IN ACCORDANCE WITH NATIONAL INSTRUMENT 45-102 — RESALE OF SECURITIES, UNLESS OTHERWISE PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE LATER OF (I) THE DATE ON WHICH THE SECURITY IS ISSUED; AND (II) THE DATE THE ISSUER BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY OF CANADA.
>
> IN THE PROVINCE OF MANITOBA, UNLESS OTHERWISE PERMITTED UNDER APPLICABLE CANADIAN SECURITIES LAWS OR WITH THE PRIOR WRITTEN CONSENT OF THE APPLICABLE REGULATORS, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS TWELVE MONTHS AND A DAY AFTER THE DATE THE PURCHASER ACQUIRED THE SECURITY."

The Issuer is not and does not intend to become a reporting issuer.

There is currently no secondary market for the Senior 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 such Series of Senior Notes with liquidity for their investment or that it will continue for the life of such Senior Notes. Accordingly, purchasers of the Senior Notes may be required to bear the financial risk of investing in the Senior Notes until the maturity date.

REPORTING REQUIREMENTS

The Issuer is not a reporting issuer or the equivalent thereof under the securities legislation in any jurisdiction. Accordingly, the Issuer is not subject to the continuous reporting and disclosure requirements prescribed by such securities legislation. Therefore, there is no requirement that the Issuer comply with such requirements, including, without limitation, the requirements to provide prompt notification of material changes by way of press releases, to formally file disclosure documents with applicable securities regulatory authorities or to prepare and file annual audited financial statements or quarterly unaudited financial statements. However, the Issuer will provide audited annual financial statements and unaudited quarterly financial statements in accordance with the terms of the Master Trust Indenture. See *"Capital Markets Platform — Covenants of the Issuer — Financial Statements; Statement as to Compliance"*.

STATUTORY RIGHTS OF ACTION

Securities legislation in certain of the provinces of Canada provides purchasers, in addition to any other rights they may have at law, with a remedy for rescission or damages where an offering memorandum or any amendment to it, and in some cases, advertising and sales literature used in connection therewith, contains a misrepresentation. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limit prescribed, and are subject to the defences contained, in the applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor. The following is a summary of the rights of rescission or rights to damages available to purchasers of the Senior Notes.

Rights for Purchasers in Ontario

Section 5.2 of Ontario Securities Commission Rule 45-501 — *Ontario Prospectus and Registration Exemptions* provides that when an offering memorandum, such as this confidential shelf offering memorandum, is delivered to an investor to whom securities are distributed in reliance upon the "accredited investor" prospectus exemption in section 73.3 of the *Securities Act* (Ontario) or a predecessor exemption to section 73.3 of the *Securities Act* (Ontario) the right of action referred to in section 130.1 of the *Securities Act* (Ontario) ("**Section 130.1**") is applicable, unless the prospective purchaser is:

(a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(c) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(d) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(e) a subsidiary of any person referred to in paragraphs (a), (b), (c) or (d), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1(1) provides such investors who purchase securities offered by an offering memorandum with a statutory right of action against the Issuer of securities for rescission or damages in the event that the offering memorandum and any amendment to it contains a "misrepresentation". The term "misrepresentation" is defined to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in the light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities laws.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on section 73.3 of the *Securities Act* (Ontario), and this document contains a misrepresentation, the purchaser will have, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action.

The Issuer will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the Issuer will not be liable for all or any portion of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons and companies referred to above is joint and several. The Issuer, however, shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the misrepresentation was not based on information provided by the Issuer, unless the misrepresentation, (a) was based on information that was previously publicly disclosed by the Issuer, (b) was a misrepresentation at the time of its previous public disclosure and (c) was not subsequently publicly corrected or superseded by the Issuer prior to the completion of the distribution of the securities being distributed.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Saskatchewan

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**") provides that where an offering memorandum (such as this confidential shelf offering memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the misrepresentation, a right of action for rescission against the Issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the Issuer or a selling security holder on whose behalf the distribution is made;

(b) every promoter and trustee of the Issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;

(c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and

(e) every person who or company that sells securities on behalf of the Issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

(a) if the purchaser elects to exercise its right of rescission against the Issuer or selling security holder, it will have no right of action for damages against that party;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;

(c) no person or company, other than the Issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of

an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

(d) in no case will the amount recoverable exceed the price at which the securities were offered; and

(e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the Issuer or selling security holder, will be liable if the person or company proves that:

(a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or

(b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation, or (ii) the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

The liability of all persons and companies referred to above is joint and several.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that, subject to certain limitations and defences, where an individual makes a verbal statement to a purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Financial and Consumer Affairs Authority of Saskatchewan.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action will be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission or cancellation, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission or cancellation, the earlier of:

(i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

(ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides that a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

This summary is subject to the express provisions of the Saskatchewan Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Nova Scotia

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 provides, in the relevant part, that in the event that this confidential shelf offering memorandum (which shall for the purposes hereof be considered to include any document or record incorporated or deemed to be incorporated by reference herein), together with any amendments hereto (which shall for the purposes hereof be considered to include any document or record incorporated or deemed to be incorporated by reference therein), or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (a "misrepresentation"), a purchaser of Senior Notes is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the Issuer, its trustees, any person who signed this confidential shelf offering memorandum, any selling security holder and the directors of any such selling security holder at the date of this confidential shelf offering memorandum or, alternatively, while still the owner of the Senior Notes, may elect instead to exercise a statutory right of rescission against the Issuer, in which case the purchaser will have no right of action for damages against any person listed above, including the Issuer, provided that, among other limitations:

(a) no action may be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia under Section 138 later than 120 days after the date payment was made for the Senior Notes (or after the date on which initial payment was made for the Senior Notes where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);

(b) no person will be liable if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(c) no person or company, other than the Issuer, is liable under Section 138 if the person or company proves that:

(i) this confidential shelf offering memorandum, or any amendment hereto, was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(ii) after delivery of this confidential shelf offering memorandum, or the amendment hereto, and before the purchase of the Senior Notes by the purchaser, on becoming aware of any

misrepresentation in this confidential shelf offering memorandum, or the amendment hereto, or any record incorporated or deemed incorporated by reference herein, the person or company withdrew the person's or company's consent to this confidential shelf offering memorandum, or amendment hereto, or such record, and gave reasonable general notice of the withdrawal and the reason for it; or

(iii) with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed to be incorporated by reference herein, purporting to be made on the authority of an expert, or to be a copy of, or an extract from a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or that the relevant part of this confidential shelf offering memorandum, or amendment hereto, or such record, did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or extract from, the report, opinion or statement of the expert;

(d) no person or company, other than the Issuer, is liable under Section 138 with respect to any part of this confidential shelf offering memorandum, or amendment hereto, or any record incorporated or deemed incorporated by reference herein, not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;

(e) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation; and

(f) in no case will the amount recoverable under Section 138 in any action exceed the price at which the Senior Notes were offered to the purchaser.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

The foregoing statutory right of action for rescission or damages conferred by Section 138 of the *Securities Act* (Nova Scotia) is in addition to and without derogation from any other right or remedy available at law or otherwise to the purchaser. This summary is subject to the express provisions of the *Securities Act* (Nova Scotia) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions may have at law.

Rights for Purchasers in New Brunswick

Section 2.1 of New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 of the *Securities Act* (New Brunswick) ("**Section 150**") apply to information relating to an offering memorandum, such as this confidential shelf offering memorandum, that is provided to a purchaser of securities in connection with a distribution made in reliance on the "accredited investor" prospectus exemption in Section 2.3 of NI 45-106. Section 150 provides investors who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the *Securities Act* (New Brunswick) with a statutory right of action for damages against (i) the Issuer; (ii) the selling security holder on whose behalf the distribution was made; (iii) every person who was a director of the Issuer as at the date of the offering memorandum; and (iv) every person who signed the offering memorandum in the event that an offering memorandum provided to such investor contains a "misrepresentation". Alternatively, if the investor purchased the securities from a person referred to in (i) or (ii) above, an investor may elect a right of rescission, in which case the investor shall have no right of action for damages. "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Where this confidential shelf offering memorandum is delivered to a prospective purchaser of Senior Notes in connection with a trade made in reliance on Section 2.3 of NI 45-106, and this document (including any documentation incorporated or deemed to be incorporated by reference) contains a misrepresentation, a purchaser who purchases the securities will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Issuer for damages or, while still the owner of Senior Notes, for rescission. If the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages. The right of action for rescission will be exercisable by the purchaser only if the purchaser commences the action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

No person other than the Issuer or the selling security holder is liable under Section 150 if the person proves that:

(a) the offering memorandum was delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the Issuer that it was delivered without the person's knowledge or consent;

(b) upon becoming aware of a misrepresentation in the offering memorandum the person withdrew the person's consent to the offering memorandum and gave written notice to the Issuer of the withdrawal and the reason for the withdrawal; or

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe there had been a misrepresentation or that the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or extract from, the report, opinion or statement of the expert.

In addition, no person other than the Issuer or the selling security holder is liable under Section 150 with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert unless (i) the person failed to conduct such reasonable investigations as to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) the person believed that there had been misrepresentation.

The defendant will not be liable for a misrepresentation if it proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation.

In an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Senior Notes were offered.

The liability of all persons referred to above is joint and several.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the Securities Act (New Brunswick) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Prince Edward Island

The right of action for rescission or damages described herein is conferred by Section 112 of the *Securities Act* (Prince Edward Island). Section 112 provides, that in the event that this confidential shelf offering memorandum contains a "misrepresentation", a purchaser who purchased the Senior Notes during the period of distribution, without regard to whether the purchaser relied upon such misrepresentation, has a statutory right of action for damages against the Issuer, the selling security holder on whose behalf the distribution was made, every trustee of the Issuer as at the date of the confidential shelf offering memorandum, and every person who signed the confidential shelf offering memorandum. Alternatively, the purchaser while still the owner of the Senior Notes may elect to exercise a statutory right of action for rescission against the Issuer or the selling security holder on whose behalf the distribution is made. "Misrepresentation" means an untrue statement of a material fact, or an omission to state a material fact that is required to be stated by the *Securities Act* (Prince Edward Island), or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

(a) no action will be commenced to enforce the right of action for rescission by a purchaser, resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;

(b) in the case of any action other than an action for rescission, the earlier of;

  (i) 180 days after the purchaser first had knowledge of the facts given rise to the cause of action; or

  (ii) three years after the date of the transaction giving rise to the cause of action;

(c) no person will be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;

(d) no person other than the Issuer and selling security holder will be liable if the person proves that:

  (i) the confidential shelf offering memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the Issuer that it had been sent without the knowledge and consent of the person;

  (ii) the person, on becoming aware of the misrepresentation in the confidential shelf offering memorandum, had withdrawn the person's consent to the confidential shelf offering memorandum and had given reasonable notice to the Issuer of the withdrawal and the reason for it; or

  (iii) with respect to any part of the confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that:

    (A) there had been a misrepresentation; or

    (B) the relevant part of the confidential shelf offering memorandum:

      a. did not fairly represent the report, statement or opinion of the expert, or

      b. was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the *Securities Act* (Prince Edward Island) for a complete listing.

If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

In no case will the amount recoverable in any action exceed the price at which the Senior Notes were offered to the purchaser.

In an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express conditions of the *Securities Act* (Prince Edward Island) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Manitoba

Pursuant to section 141.1(1) of *The Securities Act* (Manitoba) (the "**Manitoba Act**"), where this confidential shelf offering memorandum, or any amendment to this confidential shelf offering memorandum, is sent or delivered to a purchaser in the Province of Manitoba and such document contains a misrepresentation, a purchaser who purchases Senior Notes offered by this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum is deemed to have relied on that misrepresentation, if it was a misrepresentation at the time of purchase and, subject to the defenses described in the Manitoba Act, has:

(a) a right of action for damages against:

(i) the Issuer;

(ii) each of its trustees at the date of this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(iii) every person or company who signed this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum; and

(b) while still an owner of the Senior Notes, a right of rescission against the Issuer;

provided that:

(c) no person or company is liable if the person or company proves that the purchaser purchased the Senior Notes with knowledge of the misrepresentation;

(d) in an action for damages, the defendant is not liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Senior Notes resulting from the misrepresentation relied on; and

(e) in no case will the amount recovered exceed the price at which the Senior Notes were offered to the public.

Where a purchaser elects to exercise a right of rescission against the Issuer, the purchaser will have no right of action for damages against the Issuer or against a person or company referred to in (a)(ii) or (iii) above.

No person or company other than the Issuer is liable:

(a) if the person or company proves that this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum was sent without the person's or company's knowledge or consent and that, after becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was so sent;

(b) if the person or company proves that after becoming aware of any misrepresentation in this confidential shelf offering memorandum or any amendment to this confidential shelf offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable notice to the Issuer of the person's or company's withdrawal and the reason for it;

(c) if the person or company proves that with respect to any part of this confidential shelf offering memorandum or of any amendment to this confidential shelf offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:

(i) there had been a misrepresentation; or

(ii) the relevant part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum:

(A) did not fairly represent the report, opinion or statement of the expert; or

(B) was not a fair copy of or extract from the report, opinion or statement of the expert; or

(d) with respect to any part of this confidential shelf offering memorandum or of the amendment to this confidential shelf offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, the expert's report, opinion or statement, unless the person or company:

(i) did not conduct an investigation, sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or

(ii) believed that there had been a misrepresentation.

Pursuant to section 141.4 of the Manitoba Act, but subject to the other provisions thereof, no action shall be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or

(b) in the case of an action for damages, the earlier of:

(i) 180 days after the date that the plaintiff first had knowledge of the facts giving rise to the cause of action, or

(ii) two years after the date of the transaction that gave rise to the cause of action.

In an action for damages, the Issuer will not be liable for all or any part of the damages that the Issuer proves do not represent the depreciation in value of the Senior Notes as a result of the misrepresentation relied upon.

The rights of action for rescission or damages under the Manitoba Act are in addition to and do not derogate from any other right that the purchaser may have at law.

This summary is subject to the express provisions of the Manitoba Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Alberta, British Columbia, Newfoundland and Labrador and Québec

By purchasing Senior Notes hereunder, purchasers in Alberta, British Columbia, Newfoundland and Labrador and Québec not entitled to the statutory rights described above, in consideration of their purchase of Senior Notes and upon accepting a purchase confirmation in respect thereof, are hereby granted a contractual right of action for damages or rescission that is the same as the statutory right of action, if any, provided to residents of Ontario who purchase Senior Notes.

General

The foregoing summaries are subject to the express provisions of the applicable securities law of each jurisdiction, and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

The rights of action described in this confidential shelf offering memorandum are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

INDENTURE TRUSTEE

The Indenture Trustee, BNY Trust Company of Canada, will be the registrar for the Senior Notes, and the register for the transfer of Senior Notes will be kept at its principal office in Toronto, Ontario.

LEGAL MATTERS

Certain Canadian legal matters in connection with the offering of Senior Notes will be passed upon by Torys LLP on behalf of the Issuer and by Osler, Hoskin & Harcourt LLP on behalf of the Agents.

GLOSSARY

The following glossary contains definitions of certain terms that are used throughout this confidential shelf offering memorandum.

"**Acceleration**" means, with respect to a Funding Obligation, (a) a portion of the principal amount owing in respect of the Funding Obligation has become due and payable by a Financing Entity before the scheduled payment date, maturity date or redemption date, or (b) a party to a derivative agreement in respect of the Funding Obligation has elected to close-out or terminate the agreement, resulting in an obligation on a Financing Entity to pay a termination amount, close-out amount or similar amount.

"**Acceleration Event**" means the acceleration of any Series of Controlling Class Obligations pursuant to and in accordance with its Funding Obligation Agreement.

"**Act**" means the *Ontario Fair Hydro Plan Act, 2017*.

"**Adherence Compliance Certificate**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Adverse Effect**" has the meaning set out under *"Capital Markets Platform — Conditions Precedent to Incurrence of Obligations Secured — Issuer Funding Obligations"*.

"**Agency Agreement**" has the meaning set out under *"Plan of Distribution"*.

"**Agents**" has the meaning set out on page (ii) of this confidential shelf offering memorandum.

"**Approved Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Available Collections**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Borrowing**" means a borrowing or drawing by the Issuer pursuant to a liquidity agreement, a loan agreement or a credit enhancement agreement.

"**Canadian Insolvency and Restructuring Laws**" has the meaning set out under *"Risk Factors — Risks Associated with the Unusual Nature of the Investment Asset"*.

"**Carrying Costs**" has the meaning ascribed to the term "carrying costs" in the Regulations.

"**CDS**" has the meaning set out on page (ii) of this confidential shelf offering memorandum.

"**Certified Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Change of Law Protection Agreement**" means the change of law protection agreement dated as of December 21, 2017 among the Province, the Issuer and the Indenture Trustee, as amended, supplemented, restated or otherwise modified from time to time.

"**Class**" has the meaning set out under *"Capital Markets Platform — Subordination Provisions"*.

"**Clean Energy Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Clean Energy Benefits**" means the value of the benefits determined to be derived by or accruing to Specified Consumers as a result of the Clean Energy Initiative, including as a result of Clean Energy Costs.

"**Clean Energy Costs**" means the value of the costs allocated to Specified Consumers as a result of the Clean Energy Initiative, including as a result of past, present and expected costs incurred in respect of

(a) the amounts to be paid or reflected by the IESO in adjustments made under section 25.33 of the *Electricity Act, 1998* (Ontario) or any provision that is the successor to that provision, which relate to contracts or amounts for

(i) renewable energy generation or capacity;

(ii) conservation and demand management;

(iii) energy storage;

(iv) energy efficiency; and

(v) natural gas generation and capacity, excluding contracts relating to amounts payable by the IESO under section 78.2 of the *Ontario Energy Board Act, 1998* and excluding such other contracts as may be prescribed;

(b) payments made or expected to be made under section 78.5 of the *Ontario Energy Board Act, 1998*; and

(c) such other costs or estimated costs as may be prescribed by the Regulations.

"**Clean Energy Initiative**" means the policies of the Ontario government related to

(a) eliminating coal generation and fostering the growth of and investment in clean, modern and reliable energy sources and technologies;

(b) removing barriers to and promoting opportunities for clean and renewable energy sources and technologies;

(c) promoting conservation, demand management and energy efficiency; and

(d) investing in energy infrastructure to ensure a clean, modern and reliable system.

"**Clearstream, Luxembourg**" has the meaning set out under *"Depository Services . — DTC, Euroclear and Clearstream, Luxembourg"*.

"**Collateral**" has the meaning set out under *"Capital Markets Platform — Security"*.

"**Collection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Collection Account"*.

"**Collection Account Waterfall**" has the meaning set out under *"Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account"*.

"**Commission**" has the meaning set out under *"Representations and Agreements of Purchasers"*.

"**Confidential Information**" has the meaning set out under *"Confidentiality"*.

"**Controlling Class Creditors**" means the Debtholders holding Controlling Class Obligations.

"**Controlling Class Obligations**" means: (a) Senior Funding Obligations until such time as all Senior Funding Obligations have been paid in full; then (b) if all Senior Funding Obligations have been paid in full, Subordinated Funding Obligations until such time as all Subordinated Funding Obligations have been paid in full; and finally (c) if all Senior Funding Obligations and Subordinated Funding Obligations have been paid in full, Junior Subordinated Funding Obligations until such time as all Junior Subordinated Funding Obligations have been paid in full.

"**Co-Owner Agreement**" means any agreement between, *inter alia*, the Issuer and any other owner or owners of an Investment Interest as contemplated by the FHPA.

"**Crown**" means Her Majesty the Queen in Right of Ontario.

"**DBRS**" means DBRS Limited and its successors.

"**Debtholder**" means a Noteholder or a Lender.

"**Debtholder Group**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Declaration of Trust**" means the declaration of trust made as of December 20, 2017 under which the Issuer was established, as amended, supplemented, restated or otherwise modified from time to time.

"**Default**" means the occurrence of any event which, after the passage of time, the required notification to the Indenture Trustee and, if required, approval by the required Controlling Class Creditors, would become an Event of Default.

"**depository**" has the meaning set out under *"Depository Services"*.

"**Derivative Counterparty**" means any party to any derivative agreement other than the Issuer or the Indenture Trustee.

"**Derivative Funding Obligations**" means Funding Obligations arising under, or in connection with, derivative agreements.

"**DTC**" has the meaning set out under *"Depository Services . — DTC, Euroclear and Clearstream, Luxembourg"*.

"**Electricity Vendor**" means

(a) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to own or operate a "distribution system" within the meaning of that Act;

(b) a person licensed under Part V of the *Ontario Energy Board Act, 1998* to retail electricity;

(c) the IESO in circumstances where it directly invoices a Specified Consumer for electricity used in Ontario; or

(d) such other person as may be prescribed by the Regulations.

"**Eligible Deposit Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Eligible Institution**" means (a) a trust company or Schedule I chartered bank (or an affiliate thereof) incorporated under the laws of Canada or any province thereof (i) which has either (x) a long-term unsecured debt rating of "A" or better by DBRS, or (y) a short-term deposit rating of "R-1 (low)" or better by DBRS, and (ii) which has either (x) a long-term unsecured debt rating of "A2" or better by Moody's, or (y) a short-term deposit rating of "P-1" or better by Moody's, or (b) any institution that otherwise satisfies the Rating Agency Condition.

"**Eligible Investments**" means instruments or investment property that evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, Canada or the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, bank deposit products of or bankers' acceptances issued by, any depository institution (including, but not limited to, bank deposit products of the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America, Canada or any state or province thereof and subject to supervision and examination by applicable banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution are, at the time of deposit, rated at least "R-1 (low)" and "P 1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity), which at the time of purchase is rated at least "R-1 (low)" and "P-1" by each of DBRS and Moody's, or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Issuer or any of the Issuer Funding Obligations;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or any of its affiliates is investment manager or advisor) from DBRS and Moody's;

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America, Canada or their respective agencies or instrumentalities, entered into with Eligible Institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or with a registered broker/dealer acting as principal and that meets the ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under the *Securities Act* (Ontario) (any such broker/dealer being referred to in this definition as a "**broker/dealer**"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of entering into such repurchase obligation; or

(ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and "R-1" by DBRS at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies;

in each case maturing not later than the business day preceding the next Payment Date, Interest Payment Date or Principal Payment Date, as applicable (for the avoidance of doubt, investments in money market funds or similar instruments that are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing, no securities or investments that mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has (x) either a short-term unsecured debt rating of at least "P-1" from Moody's or a long-term unsecured debt rating of at least "A2" from Moody's and also has (y) either a short-term unsecured debt rating of at least "R-1 (low)" from DBRS or a long-term unsecured debt rating of at least "A" from DBRS.

"**Eligible Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Euroclear**" has the meaning set out under *"Depository Services . — DTC, Euroclear and Clearstream, Luxembourg"*.

"**Event of Default**" has the meaning set out under *"Capital Markets Platform — Event of Default"*.

"**Extraordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Fair Adjustment**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Fair Allocation Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Fair Allocation Amount and Financing Plan"*.

"**FHPA**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Finance Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Financial Services Manager**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Financing Entity**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Financing Plan**" means the written plan entitled "Financing Plan" prepared by the Financial Services Manager as required under the FHPA to be used by the Financial Services Manager to evaluate whether potential Funding Obligations should be incurred for the purposes of a Financing Entity acquiring and financing an Investment Interest in accordance with the FHPA or for the purposes of a Refinancing, and includes any amendments thereto.

"**Funding Obligations**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Funding Obligation Agreement**" means any Note, any Supplemental Indenture (including any Terms Document), any liquidity agreement, any liquidity agreement, any credit enhancement agreement or any derivative agreement.

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"**HOEP**" has the meaning set out under *"The Electricity Industry in Ontario — Electricity Prices"*.

"**IESO**" means the Independent Electricity System Operator.

"**IESO Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — IESO Cash Reserve Account"*.

"**IESO Cash Reserve Deposit Amount**" means an amount equal to the aggregate of:

(a) 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations determined as of the Payment Date occurring in April, 2021; and

(b) an amount estimated by the Manager, acting reasonably, as the amount of Carrying Costs payable by the Issuer during May, June and July, 2021 on outstanding Issuer Funding Obligations and any Issuer Funding Obligations to be issued in accordance with the Financing Plan, provided that such estimate satisfies the Rating Agency Condition.

"**IESO Cash Reserve Required Amount**" means, on any Payment Date on or after the Payment Date in November, 2021, the amount, if any, by which (a) an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations,

exceeds (b) the amount on deposit in the Program Cash Reserve Account, determined after giving effect to all settlements on such Payment Date.

"**IESO Security Agreement**" means the security agreement made by the IESO in favour of the Issuer to secure its obligations to pay the Issuer's Carrying Costs pursuant to the Master Transfer and Servicing Agreement.

"**Indemnity Agreement**" means the Indemnity Agreement dated December 21, 2017 by OPG in favour of the Indenture Trustee.

"**Indenture**" means the Master Trust Indenture, as supplemented by any Supplemental Indenture.

"**Indenture Trustee**" means BNY Trust Company of Canada and its successors.

"**Interest Accrual Amount (Junior Subordinated)**" means, in respect of any Payment Date and all Junior Subordinated Funding Obligations, the amount of interest that accrued on such Junior Subordinated Funding Obligations during the period from and including the issuance date of such Junior Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Junior Subordinated Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Senior)**" means, in respect of any Payment Date and all Senior Funding Obligations, the amount of interest that accrued on such Senior Funding Obligations during the period from and including the issuance date of such Senior Funding Obligations or the last date to which interest has been paid in respect of such Senior Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accrual Amount (Subordinated)**" means, in respect of any Payment Date and all Subordinated Funding Obligations, the amount of interest that accrued on such Subordinated Funding Obligations during the period from and including the issuance date of such Subordinated Funding Obligations or the last date to which interest has been paid in respect of such Subordinated Funding Obligations, as applicable, to such Payment Date less any amounts deposited to the Interest Accumulation Account in respect of such interest accruing during such period pursuant to the Collection Account Waterfall and the payment waterfall applicable to the IESO Cash Reserve Account.

"**Interest Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Interest Accumulation Account"*.

"**Interest Payment Date**" means each business day on which interest is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in the related Funding Obligation Agreement.

"**Investment Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investment Interest**" has the meaning set out under *"Ontario's Fair Hydro Plan — Investment Interest"*.

"**Investor Presentation**" has the meaning set out on page (iii) of this confidential shelf offering memorandum.

"**Issuer**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Issuer Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts"*.

"**Issuer Funding Obligation**" means Funding Obligations of the Issuer.

"**Issuer Trustee**" means Computershare Trust Company of Canada.

"**Junior Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Junior Subordinated" in the related Funding Obligation Agreement.

"**Junior Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**LDCs**" has the meaning set out under *"The Electricity Industry in Ontario"*.

"**Lender**" means any Person providing credit facilities, note purchase facilities or advances under a liquidity agreement, liquidity agreement or credit enhancement agreement, as applicable.

"**Limited Guarantee**" has the meaning set out under *"Change of Law Protection Agreement".*

"**Management Agreement**" means the management agreement dated as of December 20, 2017 between the Manager and the Issuer, and acknowledged by the Indenture Trustee, as amended, supplemented, restated or otherwise modified from time to time.

"**Manager**" means OPG, as manager of the Issuer appointed under the Management Agreement.

"**Manitoba Act**" has the meaning set out under *"Statutory Rights of Action — Rights for Purchasers in Manitoba"*.

"**Master Agreement**" means an agreement in the form of a Master Agreement as published by ISDA or any replacement or substitute or functional equivalent of such agreement.

"**Master Transfer and Servicing Agreement**" means the master transfer and servicing agreement dated as of December 21, 2017 between the Issuer and the IESO, as amended, supplemented, restated or otherwise modified from time to time.

"**Master Trust Indenture**" means the trust indenture dated as of December 21, 2017 between the Issuer, as issuer, and the Indenture Trustee, as amended, supplemented, restated or otherwise modified from time to time.

"**Material Effect**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Moratorium Period**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**MTSA Acknowledgement**" means the acknowledgement and indemnity agreement dated December 21, 2017 by the IESO in favour of the Indenture Trustee.

"**NI 31-103**" has the meaning set out on page (ii) of this confidential shelf offering memorandum.

"**NI 45-106**" has the meaning set out on page (ii) of this confidential shelf offering memorandum.

"**Non-Investment Grade Rated Electricity Vendor**" has the meaning set out under *"The Transferor and Servicer"*.

"**Note**" means any note of any Class, Series or Tranche created pursuant to a Supplemental Indenture and authenticated and delivered from time to time under the Master Trust Indenture.

"**Noteholders**" means a Person in whose name a Note is registered in the Note register or the bearer of any Note held in bearer form (including a global note in bearer form), as the case may be.

"**Obligations Secured**" means all present and future debts, expenses and liabilities, direct or indirect, absolute or contingent, due, owing or accruing due or owing from time to time by the Issuer to the Specified Creditors in their

capacity as such. For greater certainty, amounts owing to any Specified Creditors by the Issuer at any time shall include (a) the unpaid face amount of any Notes issued on a discount basis; (b) the principal amount owing at such time, together with the accrued and unpaid interest on interest bearing Notes or Borrowings; (c) accrued fees, whether or not then due and payable; and (d) any evidence of indebtedness issued pursuant to or in respect of an amount owing under a Program Agreement (other than amounts payable by the Issuer to its beneficiaries pursuant to the Declaration of Trust or a promissory note issued by the Issuer to a beneficiary as contemplated in the Declaration of Trust).

"**OEB**" means the Ontario Energy Board.

"**Offering**" has the meaning set out on page (ii) of this confidential shelf offering memorandum.

"**Offering Jurisdiction**" has the meaning set out under *"Representations and Agreements of Purchasers".*

"**OPA**" has the meaning set out under *"The Electricity Industry in Ontario — Key Industry Participants — The IESO*.

"**OPG**" means Ontario Power Generation Inc.

"**Ordinary Resolution**" has the meaning set out under *"Capital Markets Platform — Debtholder Approvals and Meetings — Debtholder Meetings"*.

"**Participants**" has the meaning set out under *"Depository Services"*.

"**Paying Agent**" means any Person authorized by the Issuer to pay any Obligations Secured on behalf of the Issuer.

"**Payment Date**" means the 15th day of each calendar month or, if such day is not a business day, the next business day.

"**Person**" means any individual, corporation, limited liability company, unlimited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"**Post-Suspension Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Pre-Approved Refinancing**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Predecessor IESO**" has the meaning set out under *"The Electricity Industry in Ontario — Key Industry Participants — The IESO"*.

"**Primary Obligation**" has the meaning set out under *"Change of Law Protection Agreement — Approved Obligations & Adherence Conditions"*.

"**Principal Accumulation Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Principal Accumulation Account"*.

"**Principal Accumulation Amount**" means, in respect of any Series of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations and a Payment Date, the amount specified for such Payment Date in the related Funding Obligation Agreement plus any amounts specified in the related Funding Obligation Agreement in respect of prior Payment Dates which were not deposited to the Principal Accumulation Account; provided that if the Issuer has delivered a refinancing notice in respect of such Series, the Principal Accumulation Amounts in respect of such Series shall be adjusted as provided for in such refinancing notice.

"**Principal Accumulation Date**" means, in respect of any Series of Issuer Funding Obligations, other than Derivative Funding Obligations, the date, if any, specified in the related Funding Obligation Agreement.

"**Principal Payment Date**" means each business day on which principal is due and payable in respect of Senior Funding Obligations, Subordinated Funding Obligations or Junior Subordinated Funding Obligations, as set out in the related Funding Obligation Agreement.

"**Principal Payment Default Date**" has, with respect to any Issuer Funding Obligation, the meaning specified in the related Funding Obligation Agreement.

"**Program Account**" means each of the Collection Account, the Principal Accumulation Account, the Interest Accumulation Account, the Program Cash Reserve Account, the IESO Cash Reserve Account, the Refinancing Account and the Protection Account.

"**Program Agreements**" means the Master Trust Indenture, each Supplemental Indenture, the Declaration of Trust, the Management Agreement, the Master Transfer and Servicing Agreement, the MTSA Acknowledgement, the Indemnity Agreement, each transfer notice delivered under the Master Transfer and Servicing Agreement, any Co-Owner Agreements, the IESO Security Agreement, the Change of Law Protection Agreement, the Notes, any derivative agreements, credit enhancement agreements, liquidity agreements, loan agreements, underwriting agreements, agency agreements or note purchase agreements and all other documents and certificates delivered in connection therewith.

"**Program Cash Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Program Cash Reserve Account"*.

"**Program Cash Reserve Required Amount**" means (a) on each Payment Date prior to the Payment Date in May, 2021, nil, and (b) on each Payment Date thereafter, an amount equal to 0.50% of the aggregate outstanding principal amount of the Senior Funding Obligations, Subordinated Funding Obligations and Junior Subordinated Funding Obligations after giving effect to all settlements on such Payment Date, or such lesser amount proposed by the Manager that satisfies the Rating Agency Condition.

"**Protection Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Protection Account"*.

"**Protection Event**" has the meaning set out under *"Change of Law Protection Agreement — Protection Event"*.

"**Rating Agency**" means, with respect to any Issuer Funding Obligation, each nationally recognized statistical rating organization or designated rating organization, as specified in the related Funding Obligation Agreement, selected by the Manager to rate such Issuer Funding Obligation.

"**Rating Agency Condition**" has the meaning set out under *"Rating Agency Condition"*.

"**Reference Period**" means:

(a) the period beginning on July 1, 2017 and ending on October 31, 2017; and

(b) during the period beginning on November 1, 2017 and ending on either April 30, 2047 or such later day as may be prescribed by the Regulations

  (i) every six-month period following the period mentioned in (a);

  (ii) any period shorter than six months, as may be prescribed by the Regulations.

"**Refinancing**" has the meaning ascribed to the term "refinancing" in the FHPA.

"**Refinancing Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Program Accounts — Refinancing Account"*.

"**Regulated Price Plan**" or "**RPP**" has the meaning set out under *"The Electricity Industry in Ontario — Electricity Prices*.

"**Regulations**" means the regulations promulgated under the FHPA.

"**Regulatory Asset**" has the meaning set out under *"Ontario's Fair Hydro Plan — Regulatory Asset"*.

"**Required Principal Accumulation Amount (Senior)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Senior Funding Obligations for all Payment Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Senior Funding Obligations on or prior to such Principal Payment Date.

"**Required Principal Accumulation Amount (Subordinated)**" means, in respect of any Principal Payment Date, the aggregate of the Principal Accumulation Amounts in respect of all Subordinated Funding Obligations for all Payment Dates up to and including such Principal Payment Date, less all amounts that have been applied to principal repayments of Subordinated Funding Obligations on or prior to such Principal Payment Date.

"**Saskatchewan Act**" has the meaning set out under *"Statutory Rights of Action — Rights for Purchasers in Saskatchewan"*.

"**Section 130.1**" has the meaning set out under *"Statutory Rights of Action — Rights for Purchasers in Ontario"*.

"**Section 150**" has the meaning set out under *"Statutory Rights of Action — Rights for Purchasers in New Brunswick"*.

"**Securities Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Securities Account"*.

"**Senior Funding Obligation**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Senior" in the related Funding Obligation Agreement.

"**Senior Notes**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Senior Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Series**" means, with respect to any Class of Issuer Funding Obligations, the Series of the Class specified in the related Funding Obligation Agreement.

"**Series Account**" means each Series Finance Reserve Account and each Series Capital Reserve Account.

"**Series Capital Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Capital Reserve Account"*.

"**Series Finance Reserve Account**" has the meaning set out under *"Capital Markets Platform — Security — Issuer Accounts — Series Accounts — Series Finance Reserve Account"*.

"**Servicer**" means the IESO, as servicer under the Master Transfer and Servicing Agreement.

"**Servicer Default**" means:

(a) any failure by the Servicer to remit to the Collection Account any required remittance that shall continue unremedied for a period of three business days after written notice of such failure is received by the Servicer from the Issuer or after discovery of such failure by a responsible officer of the Servicer;

(b) any failure on the part of the Servicer or, so long as the Servicer is the IESO, any failure on the part of the IESO, as the case may be, to duly observe or to perform in any respect any covenants or agreements of the Servicer or the IESO, as the case may be, set forth in the Master Transfer and Servicing Agreement or in any other Program Agreement to which it is a party (other than as provided in (a) above), which failure shall (i) materially and adversely affect the rights of the Specified Creditors and (ii) continue unremedied for a period of 30 days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or the IESO, as the case may be, by the Issuer or (B) such failure is discovered by a responsible officer of the Servicer;

(c) any representation or warranty made by the Servicer in the Master Transfer and Servicing Agreement, any other Program Agreement to which it is a party, any transfer notice or any monthly servicer report shall prove to have been incorrect when made, which has a material adverse effect on the Issuer and which remains unremedied for a period of 30 days after the date on which (i) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer by the Issuer or (ii) such failure is discovered by a responsible officer of the Servicer;

(d) an insolvency event occurs with respect to the Servicer or the IESO; or

(e) any additional "Servicer Default" as specified in any Co-Owner Agreement occurs.

"**Specified Claims**" has the meaning set out under *"Change of Law Protection Agreement"*.

"**Specified Consumer**" has the meaning set out under *"Ontario's Fair Hydro Plan — Background"*.

"**Specified Creditors**" means, collectively, Noteholders, Lenders, the Paying Agent, the Indenture Trustee, the Issuer Trustee, the Manager, the Servicer, the Province of Ontario, Derivative Counterparties, credit enhancers, Rating Agencies and counterparties to underwriting agreements, agency agreements or note purchase agreements, in each case, to the extent of their claims related to Program Agreements, and any other Person that is owed a payment obligation by the Issuer that gives rise to a Finance Amount in respect of the Issuer.

"**Subordinated Funding Obligations**" means Funding Obligations arising under, or in connection with, Notes and Borrowings that have been designated as "Subordinated" in the related Funding Obligation Agreement.

"**Subordinated Notes, Series 2017-1**" has the meaning set out under *"Short Term Indebtedness"*.

"**Supplemental Indenture**" means a supplemental indenture to the Master Trust Indenture between the Issuer and the Indenture Trustee.

"**Suspension Event**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Suspension Notice**" has the meaning set out under *"Change of Law Protection Agreement — Suspension Notice & Post-Suspension Refinancings"*.

"**Term Sheet**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Terms Document**" means, with respect to any Tranche of Notes, a supplement to the related Supplemental Indenture.

"**Tranche**" means, with respect to any Series of Notes, Notes of such Series which have identical terms, conditions and Tranche designation. Notes of a single Tranche may be issued on different dates.

"**Transfer**" has the meaning specified in the *Ontario Fair Hydro Plan Act, 2017*, and "**Transferred**" and "**Transferee**" shall have corresponding meanings.

"**True-up Amount**" has the meaning set out under *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

"**Unitholders**" has the meaning set out under *"The Issuer"*.

"**U.S. Securities Act**" has the meaning set out on the face page of this confidential shelf offering memorandum.

"**Warehouse Facilities**" has the meaning set out under *"Short Term Indebtedness"*.

"**Warehouse Obligations**" means Senior Funding Obligations incurred pursuant to a Funding Obligation Agreement that provide the Issuer with a revolving facility under which principal amounts can be advanced, repaid and again advanced during a committed revolving period and does not provide any other type of credit facility.

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SCHEDULE A – CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES

Alberta Securities Commission
Suite 600, 250 – 5th Street SW
Calgary, Alberta T2P 0R4
Telephone: (403) 297-6454
Toll free in Canada: 1-877-355-0585
Facsimile: (403) 297-2082
Public official contact regarding indirect collection of information: FOIP Coordinator

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Inquiries: (604) 899-6854
Toll free in Canada: 1-800-373-6393
Facsimile: (604) 899-6581
Email: FOI-privacy@bcsc.bc.ca
Public official contact regarding indirect collection of information: FOI Inquiries

The Manitoba Securities Commission
500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: (204) 945-2561
Toll free in Manitoba 1-800-655-5244
Facsimile: (204) 945-0330
Public official contact regarding indirect collection of information: Director

Financial and Consumer Services Commission (New Brunswick)
85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
Telephone: (506) 658-3060
Toll free in Canada: 1-866-933-2222
Facsimile: (506) 658-3059
Email: info@fcnb.ca
Public official contact regarding indirect collection of information: Chief Executive Officer and Privacy Officer

Government of Newfoundland and Labrador Financial Services Regulation Division
P.O. Box 8700
Confederation Building
2nd Floor, West Block
Prince Philip Drive
St. John's, Newfoundland and Labrador A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187
Public official contact regarding indirect collection of information: Superintendent of Securities

Nova Scotia Securities Commission
Suite 400, 5251 Duke Street
Duke Tower
P.O. Box 458
Halifax, Nova Scotia B3J 2P8
Telephone: (902) 424-7768
Facsimile: (902) 424-4625
Public official contact regarding indirect collection of information: Executive Director

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Telephone: (416) 593-8314
Toll free in Canada: 1-877-785-1555
Facsimile: (416) 593-8122
Email: exemptmarketfilings@osc.gov.on.ca
Public official contact regarding indirect collection of information: Inquiries Officer

Prince Edward Island Securities Office
95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
Telephone: (902) 368-4569
Facsimile: (902) 368-5283
Public official contact regarding indirect collection of information: Superintendent of Securities

Autorité des marchés financiers
800, Square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
Telephone: (514) 395-0337 or 1-877-525-0337
Facsimile: (514) 873-6155 (For filing purposes only)
Facsimile: (514) 864-6381 (For privacy requests only)
Email: financementdessocietes@lautorite.qc.ca (For corporate finance issuers)
Public official contact regarding indirect collection of information: Corporate Secretary

Financial and Consumer Affairs Authority of Saskatchewan
Suite 601 - 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: (306) 787-5842
Facsimile: (306) 787-5899
Public official contact regarding indirect collection of information: Director

EXHIBIT 1

INVESTOR PRESENTATION

(See attached.)

From:	Gadi Mayman on behalf of HAHN PARKER Janet -TREASURY
To:	Ken Kandeepan; Mike Manning; Carlos Yep; Ronald Kwan; Gadi Mayman; Scott Nelms (ENERGY); LEE John -TREASURY; RYFA Ken -TREASURY; "Persaud, Donnie - Debt Capital Markets"; Benaiah, Ian
Cc:	Anna Strathy
Subject:	Fw: OPG - FHP - Guarantee
Attachments:	disclaimer.html

From: HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Sent: Wednesday, August 2, 2017 1:43 PM
To: Gadi Mayman; Scott Nelms (ENERGY); LEE John -TREASURY; RYFA Ken -TREASURY; 'Persaud, Donnie - Debt Capital Markets'; Benaiah, Ian
Subject: OPG - FHP - Guarantee

When: Wednesday, August 09, 2017 2:15 PM-3:15 PM (UTC-05:00) Eastern Time (US & Canada).
Where: OPG, 700 University Avenue, 18th Floor, Treasury C/R
Note: The GMT offset above does not reflect daylight saving time adjustments.
~~*~*~*~*~*~*~*~*~*
Please come to OPG's office, 18th floor. We will meet you at the Glass Doors.
No pass required.
Thank you.

———

———

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

From:	Gadi Mayman
To:	Mike Manning; Ronald Kwan; Ken Kandeepan
Cc:	Anna Strathy
Subject:	Fwd: Draft Fees Regulation
Date:	Tuesday, September 26, 2017 2:08:53 PM
Attachments:	Blackline_24180663v1 - 24180663v3.pdf ATT00001.htm

---

Are all of you OK with this? If you are, I'm fine, too, but I'm having trouble reading it with all of the markups and black lines.

Gadi

Begin forwarded message:

From: "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>
Date: September 26, 2017 at 12:18:07 PM EDT
To: "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>
Cc: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>, "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>
Subject: Draft Fees Regulation

Hi Gadi,

I hope NYC is going well and you are finding air conditioning.

We have been working with Steen's team and Energy legal on a draft of the fees regulation for OPG Trust and OFHP. As we progress through this, there are some elements of the regulation that we were hoping you and the OFA team might be able to consider (please see attached a black line for your reference):

- The draft reg outlines a base fee as well as a variable fee.
  - The base fee is provided monthly at an annual rate of 10-basis points for the first two years (we had this initially set at one year but Torys' markup changes this to two years). After 2019, the base fee is provided at an annual rate of 8 basis points should the funding obligations exceed $10B. Does this seem reasonable?
- The variable fee structure seems consistent with previous discussions (5 basis point fee provided on the spread). Do you think this makes sense?
- It would also be helpful if the OFA could let us know if the method for calculating the monthly funding obligation is reasonable.

<!--[if !supportLists]-->• <!--[endif]-->With respect to costs, our understanding is that these sorts of costs are typically a pass through; can the OFA confirm? The Torys markup removes OEB oversight on costs but we are wondering if there should be a role for the OFA in reviewing / providing oversight in this regard?

<!--[if !supportLists]-->o <!--[endif]-->Also, do the costs they've outlined seem reasonable? In particular, LSB is wondering whether this leaves the door open for OPG to pass through any overhead costs (i.e. should we be explicit about excluding them)?

<!--[if !supportLists]-->• <!--[endif]-->On timing, the draft reg currently contemplates a fee application by OPG every two years regardless of what interest rates are in the market. Do we think this is fair or should the application occur annually? (Note that until new fees are established, the old fees are still in effect).

In terms of next steps, OPG would like to get a draft to their Board in time for the meeting on Friday. ENERGY LSB is hoping for comments by tomorrow. I don't think we need anything too detailed or formal, but a quick sniff test would be useful to ensure we are on the right track.

Thanks for your help,
Scott

CONFIDENTIAL
FOR DISCUSSION PURPOSES ONLY

ONTARIO REGULATION

made under the

ONTARIO FAIR HYDRO PLAN ACT, 2017

FEES

Definitions

1. (1) In this Regulation,

"average monthly funding obligation" means, in respect of a month, the amount determined in accordance with subsection (2);

"average annual funding obligation" means, in respect of a year, the sum of the average monthly funding obligations for the year;

"comparison fees" means ~~typical fees~~**market comparable fees, expressed as a per annum percentage rate,** charged by ~~[service providers?~~**asset** managers~~?]~~ ~~in Ontario~~ **in Canada and any other jurisdiction as may be determined by the Board** for services that are similar to the services provided by the Financial ~~Service Manger~~**Services Manager** under the Act in terms of,

(a) the type of services provided, being services in respect of funds including securitization vehicles, pension funds, other investment funds, hedge funds and other similar funds ~~in Ontario~~,

(b) the scope of the services provided, ~~and~~

(c) the level of the services provided**, and**

(d) the amount of assets under management;

"forecast interest rate" means, in respect of each tranche of funding obligations, an interest rate forecast to be applicable to such tranche of funding obligations after taking into account (i) the interest rate for debt of or guaranteed by the Province of Ontario with a corresponding term or duration, (ii) the estimated credit spread for such tranche of funding obligations with a comparable term and based on the type of instrument and risk of the issuer, and (iii) anticipated fees and commissions expected to be payable in connection with the issuance of such tranche of funding obligations.

"net annual funding obligation" means, in respect of a year, the sum of the principal amounts of funding obligations incurred by financing entities in a year~~, other than any refinancing~~;

(2) For the purposes of determining the average monthly funding obligation for a month, the following formula applies:

$$(A + B) / 2$$

Where,

A = the sum of the balances**, as** at **12:00 am on** the ~~start~~**first calendar day** of the month**,** of the principal amount of all **outstanding** funding obligations ~~incurred by~~**for all** financing entities,

2

B = the sum of the balances**, as** at **11:59 pm on** the ~~end~~**last calendar day** of the month**,** of the principal amount of all **outstanding** funding obligations ~~incurred by~~**for all** financing entities.

Fees that may be established, charged

2. (1) For the purposes of subsection 19 (3) of the Act, the fees established and charged by the Financial Services Manager may be charged to financing entities in relation to **the management and administration of financing entities and the investment asset, including in relation to** funding obligations incurred or that are planned to be incurred by the financing entities.

(2) A fee mentioned in subsection (1) shall be comprised of a base fee calculated under section [3, 4 or 5], as the case may be, and a variable fee calculated under section [6].

(3) ~~For the purposes of subsection 19 (3) of the Act, fees may be~~**Out-of-pocket costs and expenses of the financing entities incurred by the Financial Services Manager on behalf of the financing entities and for which the Financial Services Manager is entitled to reimbursement under a** management agreement with **such financing entity shall not constitute a fee** established and charged by the Financial Services Manager ~~to financing entities for the recovery of costs and expenditures, as provided for in section 7.~~**under subsection 19(3)**

of the Act.[1] The costs and expenditures of the financing entities referred to in this subsection (3) may include costs and expenditures in respect of the following:

1. Underwriters or selling agents for funding obligations**;**

2. **Banking fees, including structuring fees or work fees;**

3. Fees of issuing and paying agents for funding obligations**;**

4. **Fees of trustees;**

5. Fees incurred in the preparation of financial statements, financial reports, compliance certificates and tax returns**;**

6. Fees of legal counsel**;**

7. **Rating agency fees; and**

8. Filing or registration fees.

(4) The Financial Services Manager shall not establish or charge any fees to financing entities other than those provided for under this ~~R~~egulation.

Base fee, 2018 and 2019

3. Subject to section 5.1, the base fee for a month in the ~~year~~**calendar years** 2018 **and 2019** shall be calculated using the following formula:

$$(0.1 \times B) / 12$$

Where,

B = the average monthly funding obligation for the preceding month.

Base fee, after ~~2018,~~2019, average annual funding obligation greater than $10 billion

4. (1) This section applies for the purpose of calculating the base fee for a month in any year following ~~2018~~**2019** if the average annual funding obligation for the preceding year was greater than $10 billion.

[1] These represent third party costs and expenses of the financing entity, not part of the fees that OPG is charging the financing entity. From time to time, OPG may have to pay these upfront costs on behalf of financing entities but they will be a pass-through cost for which OPG would simply be reimbursed by the financing entity. Other than OPG's fees, the costs and expenditures of financing entities are not subject to OEB review under the Act but rather are recoverable as expenses through the CEA (and through IESO during the moratorium). Subsection (3) in this draft was added for greater certainty to ensure there was no misunderstanding.

(2) Subject to section 5.1, the base fee for the month shall be calculated using the following formula:

$$(0.08 \times B) / 12$$

Where,

B = the average monthly funding obligation for the preceding month.

Base fee, after ~~2018,~~2019, average annual funding obligation $10 billion or less

5. (1) This section applies for the purpose of calculating the base fee for a month in any year following ~~2018~~2019 if the average annual funding obligation for the preceding year was equal to or less than $10 billion.

(2) Subject to section 5.1, the base fee for the month shall be calculated using the following formula:

$$(0.1 \times B) / 12$$

Where,

4

B = the average monthly funding obligation for the preceding month.

Board review of base fee

5.1 If the Board, after reviewing a submission in respect of a proposed base fee by the Financial Services Manager under section 9, is of the view that applying the applicable formula set out in section 3, 4 or 5 results in a base fee that is inconsistent with prevailing comparison fees, the Board may refuse to approve the proposed fee. If the Board refuses to approve the proposed base fee submitted by the Financial Services Manager under section 9, the Board shall provide its reasons for such refusal and ~~may~~ make recommendations to the Financial Services Manager regarding the determination of a base fee that is consistent with comparison fees~~.~~ and based on the methodology used in the formulas set out in section 3, 4 and 5.

Variable fee

6. (1) Subject to subsection (2) and section 6.1, the variable fee for a year shall be the sum of the amounts of each tranche of net annual funding obligations for the year, calculated by using the following formula~~:~~ (which in respect of individual tranches may result in a negative number):

$$(A \times (B - C)) \times 0.05$$

Where,

A = the principal amount of the tranche,

B= the forecast interest rate for the tranche, as determined by the Financial Services Manager before the start of the year, based on the term of the tranche, and

C = the actual interest rate for the tranche.

(2) If the circumstances set out in Column 1 of the following Table apply in a year, the variable fee payable for a year is subject to the rules set out opposite the circumstances in Column 2 of the Table:

Item	Column 1 Circumstances	Column 2 Rules
1.	The average annual funding obligations are $10 billion or less.	The variable fee payable for the year shall not be more than 1 per cent of the amount that is 5 per cent of the net annual funding obligation for the year. The variable fee payable for the year shall not be less than -1per cent of the amount that is 5 per cent of the net annual funding obligation.
2.	The average annual funding obligations are greater than $10 billion.	The variable fee payable for the year shall not be more than 2 per cent of the amount that is 5 per cent of the net annual funding obligation for the year. The variable fee payable for the year shall not be less than -2 per cent of the amount that is 5 per cent of the net annual funding obligation for the year.

Board review of variable fee 5

6.1 If the Board, after reviewing a submission in respect of a proposed variable fee by the Financial Services Manager under section 9, is of the view that the forecast interest rate used for the purposes of the formula set out in subsection 6 (1) is ~~[unreasonable]~~**not consistent with market comparable forecast interest rates**, the Board may refuse to approve the proposed fee**. If the Board refuses to approve the proposed variable fee submitted by the** Financial Services Manager **under section 9, the Board shall provide its reasons for such refusal** and ~~may~~ make recommendations to the Financial Services Manager regarding the forecast interest rate that is ~~reasonable.~~**consistent with market comparable forecast interest rates.**

~~**Fees for costs and expenditures**~~

~~**7.** (1) The Financial Services Manager may establish and charge fees for the recovery from a financing entity of any costs and expenditures incurred in connection with the Financial Services Manager's duties under the Act in relation to the financing entity or under any management agreement with the financing entity.~~

~~(2) The costs and expenditures referred to in subsection (1) may include costs and expenditures in respect of the following:~~

~~1. Underwriters or selling agents for funding obligations.~~

~~2. Banking fees.~~

3. ~~Fees of issuing and paying agents for funding obligations.~~

4. ~~Fees of trustees.~~

5. ~~Fees incurred in the preparation of financial statements, financial reports, compliance certificates and tax returns.~~

6. ~~Fees of legal counsel.~~

7. ~~Filing or registration fees.~~

8. ~~Fees of any third party independent consultants required to be retained under the Act.~~

~~**Board review of fees for costs, expenditures**~~

~~**7.1** If the Board, after reviewing a submission in respect of a proposed fee for costs and expenditures by the Financial Services Manager under section 9, is of the view that the proposed fee is in respect of costs and expenses that were [not prudently incurred, or not incurred in relation to funding obligations incurred or that are planned to be incurred by financing entities], the Board may refuse to approve the proposed fee or a portion of the proposed fee and may make recommendations to the Financial Services Manager regarding the proposed fee.~~

Charging of fees

8. (1) In charging fees, the Financial Services Manager shall provide for,

(a) the base fee for a month to be payable within **[x]** days after the end of the month; and

(b) the variable fee for a year to be payable in the following calendar year in twelve equal monthly instalments that coincide with the payment of the base fee for each month.

(2) If the variable fee is a negative amount, it shall be deducted from the base fee payable in the following calendar year in twelve equal monthly instalments.

(3) Where there is more than one financing entity, the portion of the fees allocated to and payable by a financing entity shall be based on its proportionate share of the average principal amount of funding obligations for the applicable period.

Submissions to Board re fees

9. (1) The Financial Services Manager shall make submissions to the Board in respect of the fees proposed to be charged under section ~~5.1, 6.1~~**5.1** and ~~7.1~~**6.1.**

(2) The first submission **for proposed fees to be charged for a two year period commencing in 2018** shall be made no later than [October 31, 2017].

(3) ~~The submission for each calendar year starting with 2019~~**Submissions for proposed fees to be charged for a two year period commencing in 2020 and for every two year period thereafter** shall be made no later than [120 days] before the start of the **applicable two** year **period**.

(4**) Submissions to amend the proposed fees for a month in any year following approval of the proposed fees for any two year period may be made from time to time but no more frequently than once in any 12 month period and no later than 120 days before the start of the year in which such fees are proposed to be effective.**

(5) If the Board makes recommendations as described in section ~~5.1, 6.1~~**5.1** or ~~7.1,~~**6.1,** the Financial Services Manager shall submit to the Board,

(a) a revised proposed fee that takes into consideration the recommendations of the Board, and in the case of the base fee is consistent with comparison fees;

(b~~)~~ ~~a description of the methodology that the Financial Services Manager has applied to determine the revised proposed fee;~~

(~~c~~) in the case of the base fee, details concerning the comparison fees that the Financial Services Manager considered; **and**

(~~d~~**c**) in the case of the variable fee, a description of the methodology that the Financial Services Manager has applied to determine forecast interest rates in respect of tranches of the net annual funding obligations~~; and~~**.**

(~~e) in the case of a proposed fee for costs and expenditures by the Financial Services Manager, the rationale for the costs and expenditures having been [prudently incurred, and having been incurred in relation to funding obligations incurred or that are planned to be incurred by financing entities]~~ **6) Until the Board has approved the fees in respect of any two year period, the fees approved for the prior two year period shall remain in effect.**

Board approval, general

10. (1) ~~The Board may approve a proposed fee submitted by the Financial Services Manager or refuse to approve and refer the proposed fee back to the Financial Services Manager with the Board's recommendations.~~

~~[OLC Note: As noted by ENE LSB, there is some redundancy at the moment between section 10 and sections 5.1 and 6.1. This matter will be addressed in a subsequent draft when we have settled the Board approval process for each of the various scenarios (e.g. base fee; variable fee; costs/expenditures fee).]~~

~~(2) The Board may specify in its approval that a fee payable in respect of any period beginning on or after July 1, 2017.~~(3) For the purpose of determining whether to approve a proposed fee~~,~~ **described in section 5.1 or 6.1,**

(a) the Board shall consider the information provided by the Financial Service Manager in its submission relating to the proposed fee~~.~~**; and**

(~~4) For the purpose of determining whether to approve a proposed fee,~~ **b)** the Board may consider advice provided by the Ontario Financing Authority [with respect to comparison fees, annual rates and forecast interest rates].

[OLC Note re DEFERRAL ACCOUNT:
1. You included the following instruction that would require the FSM to establish a deferral account -- what is the authority for imposing this requirement? Recall that in subs. 34 (1) of the Act, the Board is given authority to require that the FSM maintain specific accounts.

2. ENE LSB note: *Necessity of this provision to be discussion with the OEB given that fees will be recovered as a financing entity expense through the Fair Hydro program and not as part of the fees to be approved by the Board.*]

[If needed, deferral provision could be along the following lines: The Financial Services Manager shall establish a deferral account in connection with subsection 19 (3) of the Act that records costs incurred by the Financial Services Manager in providing services referred to in section 1 during the period from July 1, 2017 to the day before the date of the Board's first order under subsection 19 (3) of the Act.]

[OLC Note re FINANCE AMOUNT: You included the following instruction, but I think this more properly belongs somewhere in section 5 of O. Reg. 206/17? In fact, are these fees not already covered in that section (perhaps under "financing entity expenses"?). Please confirm: *Fees established by the Financial Services Manager and approved by the Board, and any applicable taxes on such fees, shall be included in the definition of "expenses" for the purposes of determining finance amounts under the Act.*]

[Notes Re: Determining Fees:

(1) An alternative approach involves the Board approving the initial base fee and variable fee, with any changes to those fees being triggered by the FSM submitting to the Board proposed amendments to those fees (or the Board triggering a review on its own initiative (not more than once per year). However, because interest rates (and hence forecast interest rates) change over time (and can change even within a year), consider whether variable B of the variable fee should be approved annually. Similarly, because trends for "market comparable fees charged by service providers for similar services" change over time, consider whether variable A of the base fee should be approved annually.]

(2) Once every three years after the Board has approved the fees submitted by the Financial Services Manager under section 3, or more frequently if the Board requires but not more frequently than annually, the Board may require the Financial Services Manager to engage, on behalf of and at the cost of the financing entities, a third-party independent consultant to review and advise as to the appropriate benchmarks and range of values for [annual rates?] used for the purpose of determining the base fee and forecast interest rates used for the purposes of determining the variable fee and shall give due consideration to such advice.]

Commencement

x. This Regulation comes into force on the day it is filed.

Document comparison by Workshare Compare on September-23-17 6:39:45 PM

Input:	
Document 1 ID	interwovenSite://INVENTORYS1/TorysAtWork/24180663/1
Description	#24180663v1<TorysAtWork> - Fair Hydro Fee Regs (Torys Comments)
Document 2 ID	interwovenSite://INVENTORYS1/TorysAtWork/24180663/3
Description	#24180663v3<TorysAtWork> - Fair Hydro Fee Regs (Torys Comments)
Rendering set	Firm_Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	70
Deletions	58
Moved from	8
Moved to	8
Style change	0
Format changed	0
Total changes	144

From: Gadi Mayman
To: Anna Strathy
Subject: Fwd: Draft Fees Regulation
Date: Tuesday, September 26, 2017 2:44:47 PM

Sorry, forgot to copy you as I was rushing to get this out before the Minister started to speak.

Begin forwarded message:

> **From:** "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>
> **Date:** September 26, 2017 at 2:23:36 PM EDT
> **To:** "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>
> **Cc:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>, "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>
> **Subject: RE: Draft Fees Regulation**
>
> Thanks Gadi
>
> ---
>
> **From:** Gadi Mayman [mailto:Gadi.Mayman@ofina.on.ca]
> **Sent:** September 26, 2017 2:15 PM
> **To:** Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
> **Cc:** Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>
> **Subject:** Re: Draft Fees Regulation
>
> Thanks, Scott. I understand that there are a few items in here that are a little different than what we'd expected, so we'll get back to you with our consolidated OFA response tomorrow.
>
> Regards,
> Gadi
>
> On Sep 26, 2017, at 12:18 PM, Nelms, Scott (MOF) <Scott.Nelms@ontario.ca> wrote:
>
> > Hi Gadi,
> >
> > I hope NYC is going well and you are finding air conditioning.
> >
> > We have been working with Steen's team and Energy legal on a draft of the fees regulation for OPG Trust and OFHP. As we progress through this, there are some elements of the regulation that we were hoping you and the OFA team might be able to consider (please see attached a black line

for your reference):

- The draft reg outlines a base fee as well as a variable fee.
  - The base fee is provided monthly at an annual rate of 10-basis points for the first two years (we had this initially set at one year but Torys' markup changes this to two years). After 2019, the base fee is provided at an annual rate of 8 basis points should the funding obligations exceed $10B. Does this seem reasonable?
  - The variable fee structure seems consistent with previous discussions (5 basis point fee provided on the spread). Do you think this makes sense?
  - It would also be helpful if the OFA could let us know if the method for calculating the monthly funding obligation is reasonable.
- With respect to costs, our understanding is that these sorts of costs are typically a pass through; can the OFA confirm? The Torys markup removes OEB oversight on costs but we are wondering if there should be a role for the OFA in reviewing / providing oversight in this regard?
  - Also, do the costs they've outlined seem reasonable? In particular, LSB is wondering whether this leaves the door open for OPG to pass through any overhead costs (i.e. should we be explicit about excluding them)?
- On timing, the draft reg currently contemplates a fee application by OPG every two years regardless of what interest rates are in the market. Do we think this is fair or should the application occur annually? (Note that until new fees are established, the old fees are still in effect).

In terms of next steps, OPG would like to get a draft to their Board in time for the meeting on Friday. ENERGY LSB is hoping for comments by tomorrow. I don't think we need anything too detailed or formal, but a quick sniff test would be useful to ensure we are on the right track.

Thanks for your help,
Scott

<Blackline_24180663v1 - 24180663v3.pdf>

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From:	Mike Manning
To:	Tobias P. Whitfield (MOF); Malle Hanslep (MOF); STEPHEN.ASHBOURNE@blakes.com
Cc:	Anna Strathy; Ken Kandeepan
Subject:	Fwd: EXTERNAL – Refinancing
Date:	Monday, December 18, 2017 9:17:37 PM

Maybe we can quickly discuss this tomorrow.
Mike

Begin forwarded message:

From: LEE John -TREASURY <john.s.lee@opg.com>
Date: December 18, 2017 at 5:47:29 PM EST
To: 'Mike Manning' <Mike.Manning@ofina.on.ca>
Subject: FW: EXTERNAL – Refinancing

Mike:

I believe Michael has properly expressed on where we had landed on this point. See the technical explanation below.

John

From: Feldman, Michael [mailto:mfeldman@torys.com]
Sent: Monday, December 18, 2017 5:26 PM
To: LEE John -TREASURY <john.s.lee@opg.com>
Cc: Ramchandani, Rima <rramchandani@torys.com>; Feldman, Michael <mfeldman@torys.com>
Subject: RE: EXTERNAL – Refinancing

Mike's understanding is not where we ended up that evening. We ended up this point on the basis that there would be two exceptions to the general rule against issuing debt that was expected to have to be refinanced. One exception was for Warehouse Facility Agreements (and to be clear, whereas Mike's email refers to "the" warehouse there is no limitation (in the Trust Indenture) against having more than one warehouse facility; although section 6.1(h) of the warehouse senior supplemental indenture requires you to get the approval of the Requisite Series 2017-1 Noteholders before entering into another warehouse facility prior to the Commitment Expiry Date). The second exception is where there is Pre-Approved Refinancing. This is how section 13.08 is drafted.

As to Mike's specific thought that the rating agencies would think that the prospects for a refinancing were sufficient, without having a Pre-Approved Refinancing, was thought to be too remote because the prospects for a refinancing would be almost entirely dependent on the Protection Agreement applying at the time of the refinancing, and this is essentially what a Pre-Approved Refinancing Amounts to.

Michael K. Feldman

P. 416.865.7513 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com[na01.safelinks.protection.outlook.com]

TORYS LLP[na01.safelinks.protection.outlook.com]

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: December-18-17 4:54 PM
To: Feldman, Michael <mfeldman@torys.com>
Cc: Ramchandani, Rima <rramchandani@torys.com>
Subject: FW: EXTERNAL – Refinancing

Is Mike interpretation correction?

From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: Monday, December 18, 2017 4:00 PM
To: LEE John -TREASURY <john.s.lee@opg.com>
Subject: EXTERNAL – Refinancing

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

I've been told section 13.08, Trust Indenture has a prohibition on incurring debt other than pursuant to the warehouse, where a refinancing would be needed to repay principal. At last week's meeting we noted this prohibition would be lifted upon satisfaction of a Rating Agency Condition which would let OPG issue shorter term debt as long as the ratings agencies were satisfied the prospects for refinancing were sufficient. Please let me know if this is your understanding as well.

Thanks, Mike

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From: Gadi Mayman
To: Anna Strathy
Subject: Fwd: FHP - DBRS ratings
Date: Friday, January 19, 2018 1:08:18 PM

Begin forwarded message:

From: LEE John -TREASURY <john.s.lee@opg.com>
Date: January 19, 2018 at 1:06:52 PM EST
To: "Gadi Mayman (gadi.mayman@ofina.on.ca)" <gadi.mayman@ofina.on.ca>, "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Serge.Imbrogno@ontario.ca" <Serge.Imbrogno@ontario.ca>
Cc: HARTWICK Ken -FINANCE <ken.hartwick@opg.com>, ROWE Jennifer -CORPAFFAIRS <jennifer.rowe@opg.com>, LADAK Lubna -TREASURY <lubna.ladak@opg.com>, '"Mike Manning"' <Mike.Manning@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, "Tim Christie - Ministry of Energy (Tim.Christie@ontario.ca)" <Tim.Christie@ontario.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, "Alena.Thouin@ontario.ca" <Alena.Thouin@ontario.ca>, "Malle Hanslep (MOF)" <Malle.Hanslep@ontario.ca>, WONG Leslie -LAWDIV <leslie.wong@opg.com>
Subject: FW: FHP - DBRS ratings

Gadi/Steen/Serge:
DBRS has confirmed the rating of AAA for Senior, AA for sub, A for junior Sub for FHP debt. This was the last gating item for the launch.
The plan is to have the due diligence call Monday morning with the Dealer syndicate and send the Offering Memorandum and Investor Presentation shortly thereafter to potential Investors.

John

John Lee | Vice President Treasurer |
Ontario Power Generation | 700 University Avenue, H18 A6, Toronto, Ontario M5G 1X6 | 416.592.6392 | john.s.lee@opg.com

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From: Gadi Mayman
To: Ronald Kwan
Cc: Anna Strathy; Usman Zahid
Subject: Fwd: FHP Trust Offering
Date: Wednesday, February 07, 2018 9:22:04 PM

A partial answer to your question about the sub debt via the SoC.

Begin forwarded message:

> **From:** "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
> **Date:** February 7, 2018 at 6:22:54 PM EST
> **To:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
> **Cc:** "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>
> **Subject: RE: FHP Trust Offering**
>
> Serge,
>
> Thanks. Please let us know the outcome of your analysis.
>
> ---
>
> **From:** Imbrogno, Serge (ENERGY)
> **Sent:** February 7, 2018 6:21 PM
> **To:** Orsini, Steve (CAB)
> **Cc:** Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
> **Subject:** Re: FHP Trust Offering
>
> Steve,
>
> A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).
>
> The Ministry analysis underpinning the *2017* Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant's modelling of GA refinancing assumed an interest rate of 4.5%. In the development of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.
>
> The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500 million.

OPG advises that the remainder of the debt is split between "subordinated" and "junior subordinated" debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

Sent from my iPad

On Feb 6, 2018, at 10:29 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca> wrote:

Thanks Serge.

How does this compare to the costs assumed in the modelling?

From: Imbrogno, Serge (ENERGY)
Sent: February 6, 2018 2:36 PM
To: Orsini, Steve (CAB); Davidson, Steven (CAB)
Cc: Kwamena, Boafoa (CAB)
Subject: FHP Trust Offering

Hi Steve,

Not sure if you received an update already, but below is the result of the OPG Trust financing this afternoon for the OFHP:

- OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.

From: Gadi Mayman
To: Mike Manning; Ronald Kwan; Ken Kandeepan
Cc: Anna Strathy; Usman Zahid
Subject: Fwd: FHP Trust Offering
Date: Friday, February 09, 2018 8:11:41 PM

Begin forwarded message:

> **From:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
> **Date:** February 9, 2018 at 7:14:05 PM EST
> **To:** "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
> **Cc:** "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>, "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Subject: Re: FHP Trust Offering**
>
> Steve,
>
> Today OPG advised that the remainder of the debt is split between $382 million of “subordinated” debt at an interest rate of 3.637% and $98 million of “junior subordinated” debt at 3.957%.
>
> The effective interest rate of 3.526% is the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated).
>
> Sent from my iPad
>
> On Feb 7, 2018, at 6:22 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca<mailto:Steve.Orsini@ontario.ca>> wrote:
>
> Serge,
>
> Thanks. Please let us know the outcome of your analysis.
>
> From: Imbrogno, Serge (ENERGY)
> Sent: February 7, 2018 6:21 PM
> To: Orsini, Steve (CAB)
> Cc: Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
> Subject: Re: FHP Trust Offering
>
> Steve,

A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).

The Ministry analysis underpinning the 2017 Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant's modelling of GA refinancing assumed an interest rate of 4.5%. In the development of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.

The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500 million.

OPG advises that the remainder of the debt is split between "subordinated" and "junior subordinated" debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

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From: Imbrogno, Serge (ENERGY)
Sent: February 6, 2018 2:36 PM
To: Orsini, Steve (CAB); Davidson, Steven (CAB)
Cc: Kwamena, Boafoa (CAB)
Subject: FHP Trust Offering

Hi Steve,

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- OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.

From:	Gadi Mayman
To:	Mike Manning; Ken Kandeepan; Ronald Kwan
Cc:	Anna Strathy; Usman Zahid
Subject:	Fwd: Financing Plan under The Ontario Fair Hydro Plan Act 2017 ("the Act")
Date:	Wednesday, December 20, 2017 10:22:15 AM
Attachments:	December 20 2017 letter to Hon. Glenn Thibeault.pdf ATT00001.htm

---

Begin forwarded message:

From: "LORD Bernard -BOARDCHAIR" <bernard.lord@opg.com>
To: "'glenn.thibeault@ontario.ca'" <glenn.thibeault@ontario.ca>
Cc: "Serge Imbrogno (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Charles Sousa (MOF)" <Charles.Sousa@ontario.ca>, "Scott Thompson (CAB)" <Scott.Thompson@ontario.ca>, "Gadi Mayman" <Gadi.Mayman@ofina.on.ca>, "LYASH Jeffrey -PRESIDENT" <jeffrey.lyash@opg.com>
Subject: Financing Plan under The Ontario Fair Hydro Plan Act 2017 ("the Act")

Good Morning,

Please see the attached letter from Bernard Lord.

Regards,

Rosemarie

Rosemarie Hoilett
Executive Assistant - Jeff Lyash President & CEO | Bernard Lord Board Chair
Ontario Power Generation
700 University Ave | H19-A24
Toronto ON M5G 1X6
416-592-2114 | rosemarie.hoilett@opg.com

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ONTARIO POWER GENERATION

Bernard Lord
Board Chair

700 University Avenue Toronto, ON M5G 1X6

Tel: 416-592-2115
bernard.lord@opg.com

Wednesday, December 20, 2017

The Honourable Glenn Thibeault
Minister of Energy
4th Floor, Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1

Hand Delivered and sent via email

Dear Minister Thibeault,

Re: Financing Plan under the Ontario Fair Hydro Plan Act, 2017 (the "Act")

I am writing further to our recent exchange of letters and the most recent one dated May 19, 2017, regarding the delivery of a Financing Plan by OPG as Financial Services Manager of the Fair Hydro Trust under the Act. I am pleased to advise that OPG's delivery of the Financing Plan was confirmed by the OPG Board on November 22, 2017, and it is enclosed herewith.

Sincerely,

Bernard Lord
Board Chair

cc (by email):
The Honourable Charles Sousa, Minister of Finance
Scott Thompson, Deputy Minister of Finance
Serge Imbrogno, Deputy Minister of Energy
Gadi Mayman, CEO, Ontario Financing Authority
Jeff Lyash, President and CEO, Ontario Power Generation

Enclosure

FAIR HYDRO TRUST
FINANCING PLAN

December 18, 2017

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A. Background

In June 2017, the Province enacted the *Ontario Fair Hydro Plan Act, 2017* (the **Act**), to establish a framework under which the costs and benefits associated with the Government of Ontario's (the **Province**) Clean Energy Initiatives are to be fairly allocated between present and future consumers of electricity under Ontario's Fair Hydro Plan (Fair Hydro Plan or FHP). The Act requires the Ontario Energy Board (**OEB**) to set rates that would reduce electricity bills for a proxy regulated rate specified consumer by 25 percent commencing on July 1, 2017. The total bill reduction is comprised of the 8 percent rebate equivalent to the Provincial portion of the Harmonized Sales Tax, the shifting of funding for electricity support programs from electricity bills to provincial revenues, and by decreasing electricity rates for specified consumers paying the Regulated Price Plan (**RPP**) rate. The OEB is providing a Global Adjustment reduction credit for non-RPP specified consumers.

The reduction in electricity bills will result in a shortfall in the Independent Electricity System Operator's (**IESO**) collections, which will need to be financed in order to pay the underlying global adjustment costs (**GAC**). The objective of the Fair Hydro Plan Program (**FHP Program**) is to refinance a portion of the deferred GAC over a longer period.

Under the Act, OPG is appointed as the Financial Services Manager (**FSM**) and is given the authority to, among other things, establish and manage one or more financing entities to raise debt financing (referred to as "Funding Obligations") for the purposes of the Act. The Act requires the Minister of Energy (**MOE**) to calculate the Fair Allocation Amount and for the FSM to incur Funding Obligations that, subject to refinancing, reasonably align with the Fair Allocation Amount, as adjusted by any readjustment amount.

The following attendant regulations were enacted in support of the Act:

- *Ontario Regulation 206/17 General* (**General Regulation**) provides details on specific requirements of the Act, in particular, the requirements for the Financing Plan.
- *Ontario Regulation 195/17 Fair Adjustment* provides details on rate reductions up to April 30, 2019 for specified consumers under the Act.
- *Ontario Regulation 196/17 Invoicing Requirements* provides details on information to be included with the invoice for specified consumers under the Act.

Under sections 21(1) and 21(2) of the Act, OPG, as FSM, has an obligation to prepare a Financing Plan in accordance with the Act and regulations, and to deliver it to the Minister of Energy. Under section 21(6) of the Act, the FSM has the right to amend the Financing Plan from time to time, without affecting any Clean Energy Adjustment that has already been determined or any Funding Obligations that have already been incurred before the amendment.

This Financing Plan was prepared based on the information available to, and the views of, OPG at the time this Financing Plan was prepared (or amended, as applicable). This Financing Plan also includes forward-looking information, which is subject to change. Actual outcomes and results may differ materially from what is expressed, implied or forecasted due to, but not limited to, changes in underlying assumptions relating to the Fair Allocation Amount, interest rates, investor interest, market capacity, market conditions, and credit rating assessments. References made to the "current Fair Allocation Amount" pertains to the Fair Allocation Amount received by OPG from the MOE at the end of September 2017. Terms that are capitalized and not defined

herein have meanings ascribed to the same terms as in the Act or in the General Regulation. All amounts presented are in Canadian dollars.

1. Financing Entity – Fair Hydro Trust

Trustees

In December 2017, OPG as FSM, appointed Computershare Trust Company of Canada to act as the third party issuer trustee (Computershare or **Issuer Trustee**). Following its appointment, the Fair Hydro Trust (the **Trust**) was established as a financing entity contemplated in the Act through a declaration of trust. The Trust is structured to be bankruptcy remote from OPG. The Issuer Trustee is empowered under the declaration of trust to appoint, employ or contract with any person for the transaction of the Trust's activities. Under the Management Agreement between the Trust (by the Issuer Trustee) and OPG, the Trust appointed OPG as its agent to provide services and perform duties for the Trust in planning, implementing and administering the debt financing for the FHP Program.

In December 2017, OPG as FSM, appointed BNY Trust Company of Canada, as the third party indenture trustee (BNY or **Indenture Trustee**). The Indenture Trustee will be acting on behalf of all specified creditors, who are all persons who may have contractual claims against the Trust under the FHP Program agreements contemplated by the Master Trust Indenture (**MTI**) governing the debt issued by the Trust.

Unitholders

The Trust will carry on activities for the benefit of its unitholders outlined below:

Table 1: Fair Hydro Trust Unitholders

Unitholder	Number of Units Held
FHP2017 Inc., a wholly-owned subsidiary of OPG	1,000,000
BNY, as Indenture Trustee	1
Total Units Outstanding	**1,000,001**

Trust Capitalization Structure

The Trust will be 100 percent debt financed and the contemplated source of funding is summarized in Table 2.

Table 2: Type and Source of Debt Funding

Tranche and Debt Type	Source of Funding	% of Total Funding Requirement
Tranche A Senior Debt	Capital Markets	51%
Tranche B Subordinated Debt	OPG via Province	39%
Tranche C Junior Subordinated Debt	OPG via Province	5%
	OPG via Capital Markets	5%

The Trust will issue senior debt in the capital markets to finance 51 percent of the total funding requirement related to the deferred GAC (Tranche A). The financing platform was developed to allow the Trust access to both the Canadian and United States (**US**) markets in order to optimize pricing, provide flexibility, and market capacity. Further details on the types of financing that can be utilized are outlined under the heading *Current Funding Options*.

Through periodic equity injections in OPG, the Province is expected to provide 44 percent of the total funding requirement throughout the duration of the FHP Program. OPG will invest the proceeds from the equity injections into the Trust, with 39 percent in Tranche B as subordinated debt and five percent in Tranche C as junior subordinated debt.

OPG will invest the remaining five percent of the total funding requirement in Tranche C as junior subordinated debt, using internally generated funds or proceeds raised from debt issuances from the public markets.

2. OPG's Duties and Responsibilities

Financial Services Manager under the Act

OPG, as FSM, will perform its duties and responsibilities under the Act and its attendant regulations. These include, but are not limited to, the following:

- Establish one or more financing entities to incur Funding Obligations for the FHP Program
- Prepare a written Financing Plan to be used by OPG to evaluate the incurrence of Funding Obligations to acquire and finance a portion of the GAC deferral
- Ensure that Funding Obligations are incurred in a manner that is consistent with the Financing Plan
- Forecast the cash flow requirements of the financing entities
- Determine the monthly Clean Energy Adjustment for a particular Reference Period
- Administer the Investment Asset on behalf of the financing entities
- Establish and charge fees to the financing entities to recover costs and expenditures and to earn a return

- Seek the best terms available at the time of incurrence of a Funding Obligation, having regard to other financing transactions of similar size and type
- Apply debt proceeds to purchase an Investment Interest or repay or redeem outstanding debt
- Consider the interests of specified consumers with respect to stable and predictable electricity rates
- Deal with related parties on arm's length terms
- Fulfil various reporting requirements to stakeholders

Manager under the Management Agreement

OPG has also entered into a management agreement with the Issuer Trustee, on behalf of the Trust, whereby all of the powers and duties of managing the Trust have been delegated to OPG as the manager. The duties and responsibilities associated with this role includes:

- Determining whether to incur Funding Obligations to acquire an Investment Interest or to refinance existing Funding Obligations;
- Negotiating and entering into program agreements;
- Maintaining accounts and banking records;
- Preparing any offering documents furnished by the Trust to prospective purchasers of Funding Obligations; and
- Preparing financial statements and tax filings on behalf of the Trust.

OPG's entitlement to fees, as FSM, is subject to the payment priorities outlined in the MTI and summarized in Section C, *Application of Recovery Amounts to Funding Obligations,* Figure 5. The FSM is not entitled to resign from its duties or terminate the management agreement as long as Funding Obligations remain outstanding. OPG may be terminated by the Issuer Trustee, with the consent of the Indenture Trustee, or by the Indenture Trustee in accordance with the MTI.

3. Fair Allocation Amount and the Financing Plan

The Fair Allocation Amount, including the readjustment amount where applicable, is an amount calculated under the Act and the regulations by the MOE for every Reference Period over the term of the FHP Program. It is intended to allocate the estimated Clean Energy Costs and Clean Energy Benefits fairly among specified consumers.

The FSM is required to prepare a Financing Plan under the Act to evaluate whether Funding Obligations should be incurred by the Trust. OPG is to have regard to certain prescribed principles (outlined in detail in Section B below), including that Funding Obligations should be incurred so that the estimated Finance Amount that would become due and payable during a Reference Period will, subject to refinancing, reasonably align with the Fair Allocation Amount determined in respect of such Reference Period, as adjusted by a readjustment amount where applicable. 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 to ensure that they are bearing their fair share of the costs of providing Clean Energy Benefits. The Act also 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.

Figures 1 and 2 illustrate the FHP Program's financing profile over the next 30-year period.

Figure 1: Fair Hydro Trust Debt Balance

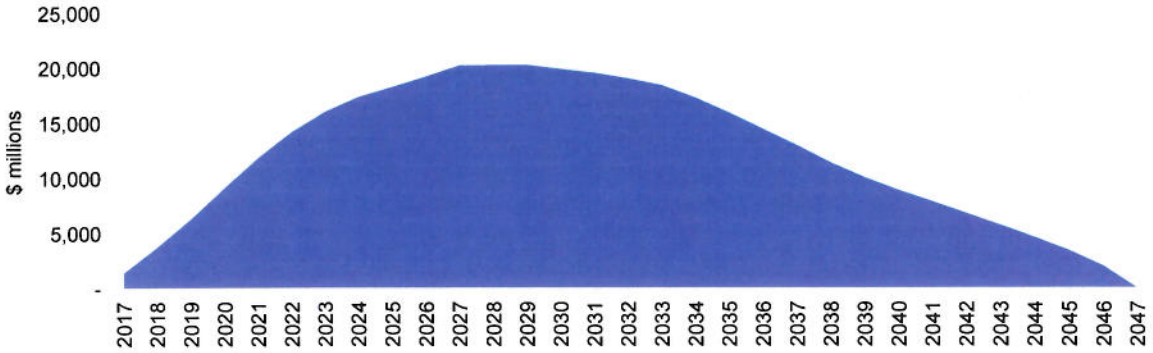
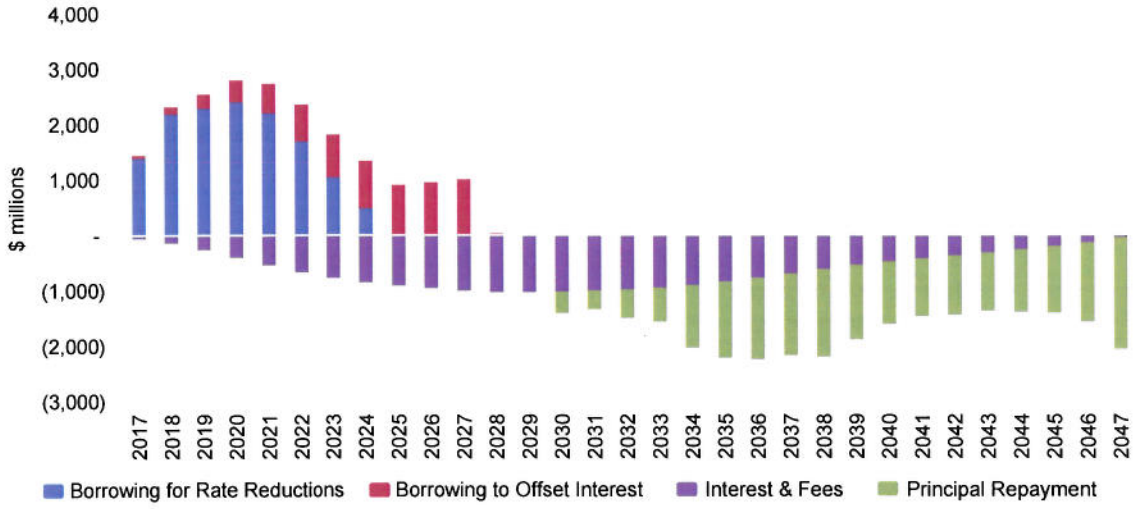


Figure 2: Fair Hydro Trust Borrowing and Repayment Profile



The Fair Allocation Amount is a net amount, either positive or negative, equal to the difference between the following:

1) estimated costs of Clean Energy Initiatives without adjustment; and
2) a re-profiling of the costs in item 1) plus:
    a. the estimated operating and financing costs of the FHP Program, and
    b. the repayment of the readjustment amount.

A negative Fair Allocation Amount in any Reference Period generally represents a period of borrowing, and a positive Fair Allocation Amount generally represents a period of principal repayment.

In a Reference Period when the Fair Allocation Amount is negative, the operating and financing costs of the FHP Program are shown in the Fair Allocation Amount calculation as an increase in the debt of the FHP Program. This treatment is equivalent to increasing the amount of the deferred GAC. The repayment of the related debt is included in the Fair Allocation Amount calculation to establish that all debt will be repaid by the end of the FHP Program. During these periods, operating and financing costs of the FHP Program are considered to align with the Fair Allocation Amount as long as these costs do not exceed the corresponding components in the Fair Allocation Amount calculation in any Reference Period by more than +/- 15 percent. If these costs exceed the corresponding components of the Fair Allocation Amount by more than +/- 15 percent, the FSM will take reasonable actions in accordance with the Act and regulations to align to the Fair Allocation Amount. Variability in costs is expected throughout the FHP Program as the Fair Allocation Amount was calculated on a forecast basis. Accordingly, any variability that is less than +/- 15 percent is deemed to be within an acceptable range.

Assessment for Reasonable Alignment

The Act stipulates that the Financing Plan must reasonably align with Fair Allocation Amount. This requirement is expected to be achieved through the consistent application of the following methodology, guidelines, and steps throughout the term of the FHP Program:

- Maintain a financial model that captures the Funding Obligations requirements of the Trust. Translate the funding requirements into expected cash flows by determining the related interest amounts, reserve requirements, fees, principal repayment, and the Trust's operating costs. This exercise will be performed for each Reference Period over the term of the program.
- Determine and assess the following:
    - For Reference Periods when the Fair Allocation Amount is negative, determine whether the forecast cash flow requirements is less than or equal to the financing and operating costs reflected in the Fair Allocation Amount as additional debt of the Trust. If the forecast cash flow requirements exceed the addition to the debt in the Fair Allocation Amount by more than +/- 15 percent, determine the cause of the variance. In these situations, the FSM will take reasonable actions in accordance with the Act and regulations to align to the Fair Allocation Amount.
    - For Reference Periods when the Fair Allocation Amount is positive, determine whether the forecast cash flow requirements is less than or equal to the Fair Allocation Amount. If the forecast cash flow requirements exceed the Fair Allocation Amount by more than +/- 15 percent, determine the cause of the variance. In these situations, the FSM will take reasonable actions in accordance with the Act and regulations to align to the Fair Allocation Amount.
- Due to the timing of the collection of cash flows, the General Regulation contemplates the use of reserve accounts. Provisions for reserves are excluded from the reasonable alignment assessment as these amounts are required to allow the Trust to incur the Funding Obligations. In addition, the reserve balances will be credited to specified consumers at the end of the term through the true-up mechanism if they are not required to satisfy terms of any Funding Obligation agreements pursuant to the MTI. Refer to *Financing Reserve and Capital Accounts* for more information on reserve accounts.

- Utilize and apply an accrual methodology when determining costs of the program, except for debt issuance costs, principal repayments, and reserve requirements.

The FSM will establish a methodology for assessing reasonable alignment at such time when a new Fair Allocation Amount letter is received from the MOE.

B. Principles and Assumptions of the Financing Plan

This section outlines the various principles and assumptions that guided the development of this Financing Plan in accordance with the Act and section 14 of the General Regulation. The same principles and assumptions will apply to all subsequent revisions of the Financing Plan, if required.

The FSM is required to make reasonable assumptions regarding the following matters:

1. IESO Deferral for Future Months

The FSM will base its expectation of the IESO deferrals on the most current version of the Fair Allocation Amount and readjustment amounts provided by the MOE. Actual IESO deferrals and forecasts of near term deferrals, if available, will be used to guide forecast deferrals over the next quarter.

2. Future Transfers of Portions of the IESO's Regulatory Asset

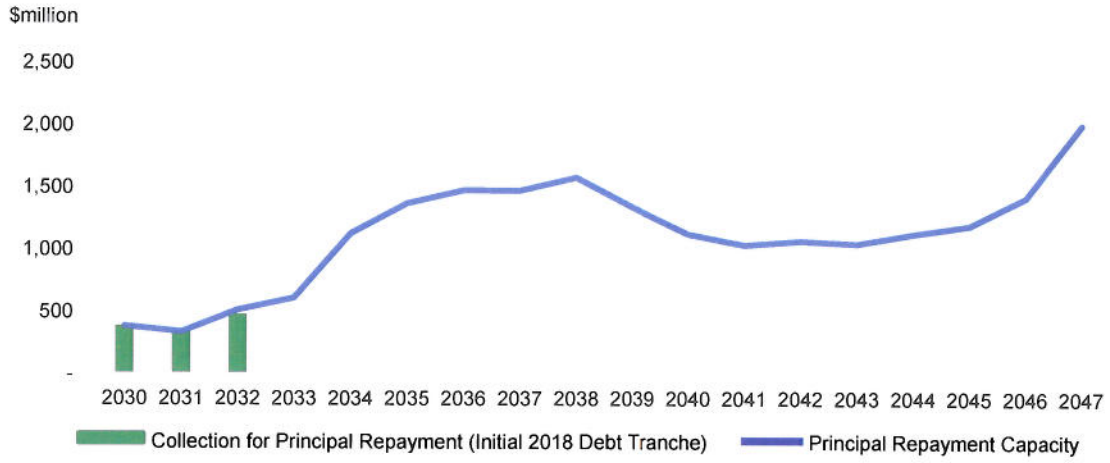
The Trust anticipates periodic purchases of Investment Assets from the IESO when the cumulative balance of its regulatory assets is large enough to be financed and when effective financing options are available to the Trust. The market capacity for both long-term and short-term debt financing will also be key elements to consider when determining the most cost efficient option.

3. Term to Maturity of Funding Obligations

Initial Term Debt Tranche – 2018 Borrowing

The forecast debt profile for the Trust based on the current Fair Allocation Amount received from the Province at the end of September 2017 indicates that principal repayments can commence in 2030 (see Figure 3). However, the principal repayment amount for that year is expected to be relatively small at approximately $400 million for the year or about $200 million for each six-month Reference Period. Accordingly, principal repayment of the initial 2018 term debt tranche is expected to commence in 2032 when the cumulative principal repayment amount reaches approximately $1 billion, which indicates a minimum term for the initial debt issuance of approximately 15 years. This offering is expected to include $500 million of senior notes, which is a sizeable amount to ensure sufficient liquidity and marketability. Subsequently, principal repayment increases to approximately $1.5 billion annually or $0.75 billion for each Reference Period by around 2035 allowing for larger single maturities.

Figure 3: Principal Repayment Profile Based on Current Fair Allocation Amount



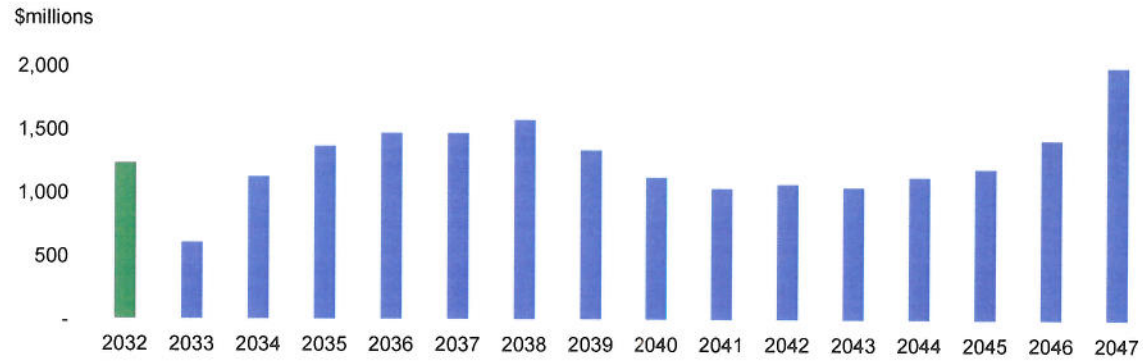
This length of term for an asset-backed security (**ABS**) has no precedence in the Canadian market where terms are typically 10 years or less. Therefore, it is expected that a higher premium will be required to attract investors. Refer to Table 3 under the heading *Interest Rates* for the indicative current pricing range for all debt tranches, including senior debt.

For a new issuer such as the Trust offering a unique program, a strategy of issuing a 15-year term paper may not provide an optimal initial pricing given the absence of a specific credit curve for the Trust. It is expected that at program inception, the Trust will issue debt to cover both short and long-term exposures. The terms of maturities will be staggered, up to year 30, with maturities capped at the projected Fair Allocation Amount and readjustment amount, during each six-month Reference Period. In addition, consideration for a combination of characteristics established by the Fair Allocation Amount curve and investor interest will drive the term of a Funding Obligation.

Indicative Debt Maturities for Borrowings

Using the current Fair Allocation Amount, the forecast debt maturities over the life of the FHP Program was derived in Figure 4 for illustrative purposes only and is current as of the date of this Financing Plan. Actual debt maturities may differ materially from what is illustrated in Figure 4 primarily due, but not limited to, future changes in the Fair Allocation Amount.

Figure 4: Indicative Debt Maturities Using the Current Fair Allocation Amount



The key objective when determining the indicative debt maturities in Figure 4 is to align the annual amount of debt maturities with the principal repayment capacity under the Fair Allocation Amount curve. In years where the principal repayment capacity is less than $500 million, the debt maturities will fall in subsequent years where the cumulative maturities do not exceed the cumulative principal repayment capacity. This type of decision will be made along with other considerations such as size of each issuance to ensure liquidity (and thus, cost efficiency). As this schedule is based on the current Fair Allocation Amount curve and its underlying assumptions, a shift in the curve and/or any changes in the assumptions will result in changes to this indicative debt maturity schedule.

4. Refinancing

The MTI requires the Trust to establish and maintain a deposit account in the name of the Indenture Trustee for a refinancing account held for the benefit of the Indenture Trustee and specified creditors. All proceeds arising from notes and borrowings related to refinancing shall be deposited to this refinancing account.

Debt refinancing may occur under the following scenarios:

- When original financing is incurred, the short end of the yield curve is more cost efficient than the long end, on a relative basis;
- The Fair Allocation Amount or readjustment amount is updated; and
- In line with the provisions of the Act, no Clean Energy Adjustments will be collected from specified consumers between July 1, 2017 and April 30, 2021. Accordingly, any debt maturities during this period will need to be refinanced.

Refinancing decisions will be guided by the Trust's ability to secure cost efficient long-term financing from investors and the maximum principal repayment profile dictated by the Fair Allocation Amount curve. Given the current Fair Allocation Amount, the FSM expects that debt issuances during the moratorium period will be a minimum of 15-year terms.

However, if market conditions are such that short-term notes (e.g. 5-year notes), along with hedging the refinancing of these notes after 5 years, could be more cost effective than issuing longer term notes, the FSM may consider such a strategy instead of issuing 15-year notes. In the event of an update to the Fair Allocation Amount or the readjustment amount that leads to a significant change in the profile whereby collections of CEAs could start earlier, short-term notes could also be issued.

5. Cash Flow Requirements

The Trust's cash flow requirements to meet its contractual obligations include, but are not limited to, the following:

- Payment of taxes, if any
- Reimbursing the FSM for costs and expenditures outlined in sections 10.2 (3) and 10.13 (3) of the General Regulation and summarized under the heading *Fair Hydro Trust Costs and Expenditures*
- Interest and fees on all outstanding borrowings
- Scheduled principal repayments

- Deposits or transfers to reserve accounts required by the MTI and summarized under the heading *Financing Reserve and Capital Accounts*
- OPG's fees as FSM as summarized under the heading *Financial Services Manager's Fees*
- Termination payments to defaulting derivative counterparties, if applicable

Refer to Figure 5 in Section C, *Application of Recovery Amounts to Funding Obligations* for the cash flow receipts' payment priority.

6. Current Funding Options and Related Terms and Conditions

To achieve cost efficiencies, the following funding vehicles could be utilized in either the Canadian or US markets (except for the subordinated debt), from time to time, depending on the financing requirement, as well as market capacity and relative pricing at the time of issuance:

- **Short Term**: asset-backed commercial paper (**ABCP**) conduit and revolving bank lines of credit in the Canadian market
- **Medium to Long-Term**: term ABS and privately placed debt securities in either the Canadian or US markets
- **Subordinated Debt**: to be provided by OPG

Syndicated Short-Term Warehousing Facility

Short-term notes will be issued by the Trust to fund short-term borrowing requirements. The amount outstanding will be periodically refinanced and repaid by long-term funding from the capital markets once the cumulative amount of the Investment Asset available to be purchased is approximately $300 million to $500 million. This warehouse facility is expected to be utilized on a monthly basis to fund the Investment Asset purchases from the IESO.

The Trust will be securing a warehouse facility agreement with a bank syndicate comprising of CIBC, RBC, and Goldman Sachs for $800 million under a 2-year committed term, which would be primarily funded through their ABCP conduit.

Revolving Bank Lines of Credit

This type of funding option provides the Trust with a warehouse facility under which principal amounts can be advanced, repaid and again advanced during a committed revolving period. This bank funding option will be utilized when it is more cost effective than short-term notes.

Term ABS

ABS are notes that will be backed by the Trust's Investment Asset and issued under the MTI. The specific terms and conditions of each series, class or tranche of notes will be set forth in a supplemental indenture and, if applicable, a terms document authorizing that series, class or tranche.

To minimize financing costs, term ABS bullet bonds will be used rather than amortizing bonds, which require an additional premium by investors. The current intent is to issue term ABS notes in the 15 to 25 year term to fill out the yield curve based on the Fair Allocation Amount and investor demand.

Subordinated Debt

Concurrent with every issuance of senior debt by the Trust, it is expected that OPG will acquire subordinated debt in an amount not to exceed 49 percent of all outstanding debt of the Trust at any time. The subordination of OPG's debt investment plays an important credit enhancement role, which is expected to minimize the cost of senior debt tranches in the external market by garnering a higher rating through some differentiation. The subordinated debt will assume substantially all of the liquidity and deferral risk for the structure. Accordingly, the cash flow payment waterfall in Figure 5 reflects this subordination structure.

The credit rating for the subordinated debt will be dependent on the rating agency assessment and evaluation of the stress credit scenarios. It is expected that there will be a minimum of one rating category differential between each debt tranche.

The interest rate applicable to subordinated debt is expected to be the aggregate of:

- The applicable base rate, which is the relevant senior debt rate, plus
- The applicable spread, which represents the additional interest, in basis points, over the base rate that will apply to the relevant subordinated debt. This rate will be established by OPG through an annual survey of market spreads from a syndicate of banks.

The subordinated debt will maintain a minimum of one rating to allow for appropriate benchmarking/pricing. A simple average of the market spreads will determine the rate, excluding the highest and lowest rates in the survey sample. The terms of the subordinated debt will be finalized prior to the initial debt issuance.

For the short-term subordinated debt lending facility, the banking syndicate will provide OPG with comparable short-term lending spreads on committed bank credit facilities on an annual basis (i.e. ratings based on a pricing grid). A simple average of the market spreads will determine the rate, excluding the highest and lowest rates in the survey sample.

The process will be consistent with the Subordinated Debt Pricing Protocol between OPG, as FSM, and the Ontario Financing Authority.

7. Currency and Interest Rate Hedging Programs

As the FHP Program develops over time, the Trust will consider interest rate and currency swaps and other hedging instruments, as required. Refer to the Section C, *Risk Mitigation Strategies* for further details on hedging and other instruments that could be used by the Trust.

8. Fair Hydro Trust Costs and Expenditures

The costs and expenditures incurred by OPG as FSM on behalf of the Trust will be in accordance with sections 10.2 (3) and 10.13 (3) of the General Regulation as amended in November 2017.

Specifically, the costs and expenditures incurred by the FSM include, but are not limited to, the following:

1. Underwriters or selling agents for Funding Obligations.
2. Banking fees, including but not limited to structuring fees or work fees.
3. Fees of issuing and paying agents for Funding Obligations.
4. Fees of trustees.

5. Fees incurred in the preparation of financial statements, financial reports, compliance certificates and tax returns.
6. Fees of legal counsel.
7. Rating agency fees.
8. Filing or registration fees.
9. Direct costs of OPG for employees whose work consists exclusively of the provision of services to the Trust in relation to prescribed matters.
10. Costs and expenditures incurred on behalf of any financing entity in connection with OPG's duties under the Act in relation to the financing entity.
11. Costs and expenditures incurred in relation to a management agreement between OPG as FSM and any financing entity, where the agreement provides for the reimbursement of the costs and expenditures.

The costs and expenditures incurred directly by the Trust, as well as the fees of the FSM and the costs and expenditures incurred by the FSM on behalf of the Trust, are Finance Amounts that can be recovered by the Trust (as carrying costs) from the IESO until July 2021 and thereafter through Clean Energy Adjustments charged to specified consumers.

9. Interest Rates

As the FHP Program is expected to last until 2047, it is appropriate to assume that long-term debt rates are the primary components of the financing costs for the overall program. In estimating indicative interest rates for each tranche and debt type, the following key considerations and assumptions were utilized:

- The base case credit rating assumptions are as follows:
  - Target of "AAA" for Tranche A – Senior Debt,
  - "A" for Tranche B – Subordinated Debt which is dependent on the senior debt credit rating, and
  - "BBB" for Tranche C – Junior Subordinated Debt
- Using the projected Province of Ontario long bond rate of 4 percent plus a 25 basis points premium to reflect the securitization structure, the estimated indicative pricing over the life of Tranche A – Senior Debt is 4.25 percent
- For comparative purposes, the current pricing using the Province of Ontario long bond rate of 3.0 percent plus the same 25 basis points premium was included to reflect the current low interest rate environment
- A higher return on the subordinated debt is required to compensate for incremental risks assuming:
  - Rating agencies attribute a lower rating to the subordinated debt relative to the senior debt due to the lower priority in the cash flow waterfall (refer to Figure 5 in Section C, *Application of Recovery Amounts to Funding Obligations*)
  - Senior debt's rating needs to be credit enhanced to address collection and liquidity risks

To achieve cost efficiencies, the Trust was established with a tiered debt structure to achieve a higher credit rating for the senior debt and to maximize market capacity by accessing the AAA market to achieve cheaper financing costs overall. The following table summarizes the indicative pricing range by debt tranche:

Table 3: Indicative Pricing by Debt Tranche

Tranche and Debt Type	Risk Profile	Source	% of Total Funding Requirement	Rating Category Estimate	Current Pricing	Potential Rating Range	Price Based on Rating Range
Tranche A Senior Debt	Lowest Risk	Capital Market	51%	AAA	3.25%	AAA – AA	3.25% – 3.75%
Tranche B Subordinated Debt	Medium Risk	OPG via Province	39%	A	4.5%	AA – A	4.0% – 4.5%
Tranche C Junior Subordinated Debt	Highest Risk	OPG via Province	5%	BBB	5.5%	A – BBB	5.0% – 5.75%
		OPG via Capital Markets	5%				
Weighted Average					**4.0%**		**3.75% – 4.5%**

The credit range for each debt tranche will be determined by the overall credit strength of the financing structure and its resilience under various credit stress scenarios. The rating agencies' assessment of the limited guarantee to bondholders provided by the Change of Law Protection Agreement, discussed under the heading *Indemnifications*, is one of the major factors that will influence the final ratings of each debt tranche. In addition, in assessing credit stress, the following factors, among others, will be considered: (i) declining energy usage throughout the securitization period, (ii) forecast collections in peak months not materializing, and (iii) declining consumption equal to the largest absolute annual forecast error. The market capacity for securitization notes is predominantly available for AAA-rated notes, limited for AA-rated notes, and not tested or developed for A-rated or lower. The pricing estimates provided in Table 3 reflect these credit and liquidity factors. Debt pricing will be finalized at the time of the initial issuance.

10. Finance and Capital Reserve Accounts

Section 5(1) of the General Regulation stipulates that the Finance Amount shall include any amounts the Trust deposits into capital or finance reserve accounts as required under the governing documents of the Funding Obligations (i.e. the MTI). The accounts also act as a credit enhancement feature in support of the Trust borrowings. Any unused balance in the segregated trust accounts at the end of the term will be credited to specified consumers. Refer to Figure 5 in Section C, *Application of Recovery Amounts to Funding Obligations*, for the priority order of deposits into the reserve accounts.

Section 7.02 of the MTI between the Trust and the Indenture Trustee specifies the establishment and maintenance of the following key reserve accounts:

Finance Reserve Accounts

Program Cash Reserve Account

The Trust shall establish and maintain a Program Cash Reserve Account, a deposit account in the name of the Indenture Trustee with an eligible institution. This finance reserve account shall be under the control of the Indenture Trustee for the benefit of the Indenture Trustee and the specified creditors. The Trust is required to deposit to this account the Program Cash Reserve Required Amount during the Reference Period commencing May 1, 2021, being an amount equal to 0.50 percent of the aggregate outstanding principal amount of the senior Funding Obligations, subordinated Funding Obligations and junior subordinated Funding Obligations after giving effect to all settlements on such payment date, or such lesser amount that satisfies the rating agency condition. Amounts available from the collection account will be deposited from time to time in the Program Cash Reserve Account to maintain the balance at the then Program Cash Reserve Required Amount.

Series Finance Reserve Account

From time to time, the Trust may establish a Series Finance Reserve Account, a deposit account in the name of the Indenture Trustee with an eligible institution. Each Series Finance Reserve Account shall be under the control of the Indenture Trustee for the benefit of the Indenture Trustee and the applicable specified creditors. This finance reserve account may be established for the purpose of allowing the Trust to reserve funds to pay finance charges (including, without limitation, interest and payments under derivative agreements) for a series of issuer Funding Obligations.

Capital Reserve Account

Series Capital Reserve Account

From time to time, the Trust may establish a Series Capital Reserve Account, a deposit account in the name of the Indenture Trustee with an eligible institution. Each Series Capital Reserve Account shall be under the control of the Indenture Trustee for the benefit of the Indenture Trustee and the applicable specified creditors. This capital reserve account may be established for the sole purpose of allowing the Trust to accumulate funds to be used to make repayments in respect of Funding Obligations. Details of any period of accumulation and the amounts to be accumulated shall be specified in the related Funding Obligation agreement.

11. Indemnifications

The following forms of indemnities are expected to be issued for the FHP Program:

Change of Law Protection Agreement

The Change of Law Protection Agreement provides bondholders a limited guarantee in the event of a protection event and acts as a credit enhancement for the Trust's senior debt. The guarantee will be triggered if:

i. the Province changes the Fair Hydro legislation/regulations or passes other legislation/regulation; or

ii. a change in the organization or structure of the IESO is implemented or Ontario's electricity market is undertaken at the initiative of the Province or an entity controlled by the Province; or

iii. the Act is declared invalid/unconstitutional.

in each case, 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 funding obligations covered by the agreement, after taking into account and having regard to (i) any funds available at such time to apply to pay such Funding Obligations, including in any finance reserve account, (ii) the availability of any credit enhancement to which the Trust is a party and (iii) any reasonably expected potential effect of a true-up amount under the Act in the Reference Period immediately following the occurrence of an event described above.

Upon the occurrence of a protection event, the Province is required to pay the approved obligations owing by the Trust as they become due and payable provided that the Province has a right of subrogation to receive amounts that the Trust has a right to receive.

Change of Law Process Agreement

Prior to entering into to the Change of Law Process Agreement between OPG and the Province, OPG as FSM provided the Province with an initial forecast setting out OPG's expectations regarding the aggregate maximum amount of debt to be incurred during the initial 24-month forecast period commencing December 1, 2017. This initial forecast amount is designated as the "Initial Protection Agreement Maximum". The Province did not disagree with the initial forecast or the Initial Protection Agreement Maximum on the basis of an apparent inaccuracy in the initial forecast, an inconsistency between the initial forecast and the initial Financing Plan, or as a result of the Initial Protection Agreement Maximum being more than the initial forecast. Pursuant to the Change of Law Process Agreement, between 9 and 12 months prior to the expiry of the initial 24-month forecast period (and every subsequent 24-month forecast period), OPG as FSM will provide the Province with an updated forecast of the aggregate maximum amount of debt to be issued such 24-month forecast periods. This amount, combined with such future amounts with which the Province has not disagreed, will be the Protection Agreement Maximum.

Table 4 provides the expected debt issuance amounts for the next 24-month period as consistent with the Financing Plan and submitted to the Province pursuant to the agreement.

Table 4: Initial Protection Agreement Maximum

Forecast Period Start Date	Forecast Period End Date	Expected Amount of Debt Issuance ($M)
December 1, 2017	December 31, 2017	$1,179
January 1, 2018	December 31, 2018	$2,591
January 1, 2019	November 30, 2019	$2,553
Initial Protection Agreement Maximum:		**$6,323**

Issuer Trustee

Each of the Issuer Trustee and its related parties will be indemnified out of the trust property from and against all liabilities, obligations, losses, damages, penalties, taxes, claims, actions, investigations, proceedings, costs, expenses or disbursements of any kind arising out of, among other things, the declaration of trust or any other program agreement, the administration of the Trust's assets or the action or inaction of the Issuer Trustee's agents, except for its own fraud, willful misconduct, bad faith or negligence.

Limited Recourse

The obligation of the Trust to pay principal and interest on the Funding Obligations is subject to the allocation and payment provisions in the MTI and the applicable Funding Obligation agreement and limited to amounts available from the collateral. Neither the Indenture Trustee, OPG nor the Issuer Trustee in its individual capacity will be personally liable for the payment of the principal or interest on the notes or any other Funding Obligation, or for the Trust's covenants and agreements contained in the MTI.

12. Financial Services Manager's Fees

All fees charged by OPG to the Trust will be in accordance with the provisions of the General Regulation.

Subject to OEB approval, OPG is entitled to the following:

- For 2017, OPG will receive $3.1 million and an amount to cover up-front costs incurred between June 1 and December 31, 2017 by OPG on behalf of the Trust (e.g. legal fees, rating agency fees, trustee fees). The $3.1 million includes a $600,000 fee and $2.5 million to cover costs incurred prior to June 1, 2017. The expenses between June 1 and December 31, 2017 will also include direct costs of OPG employees who are dedicated exclusively to Fair Hydro matters.
- For January 2018 to March 2019, OPG will receive a general fee consisting of (i) a monthly base fee equal to 7.5 basis points, divided by 12, multiplied by the average outstanding debt of the Trust, calculated on a monthly basis, (ii) a variable fee that is calculated based on how the interest rate for external funding tranches for that period compare to forecast interest rates for the period (and which fee is limited to ± 2 percent of 5 percent of the total

external funding tranches issued in the period), and (iii) third-party expenses and direct employee costs of dedicated Fair Hydro employees.

- For April 2019 to March 2020, and every 12-month period thereafter, OPG will make submissions to the OEB on the base fee, variable fee and expenses. The base fee will be based on comparable fees charged by full-service managers of securitization vehicles (and other similar funds). The variable fee will be calculated in the same manner noted above, but with a refresh of forecast interest rates for the relevant period. For 2019 onward, the expenses will include direct employee costs of dedicated Fair Hydro employees only if the fees of comparable managers also include such direct costs.

A written confirmation from OPG's external auditor or another external auditor is required to accompany each submission to the OEB for the recovery of expenditures incurred by OPG on behalf of the Trust. The report shall confirm the accuracy of the costs and expenditures charged to the Trust, that such amounts were incurred by OPG, and the amounts were paid to third parties (with the exception of direct employee costs).

C. Other Considerations

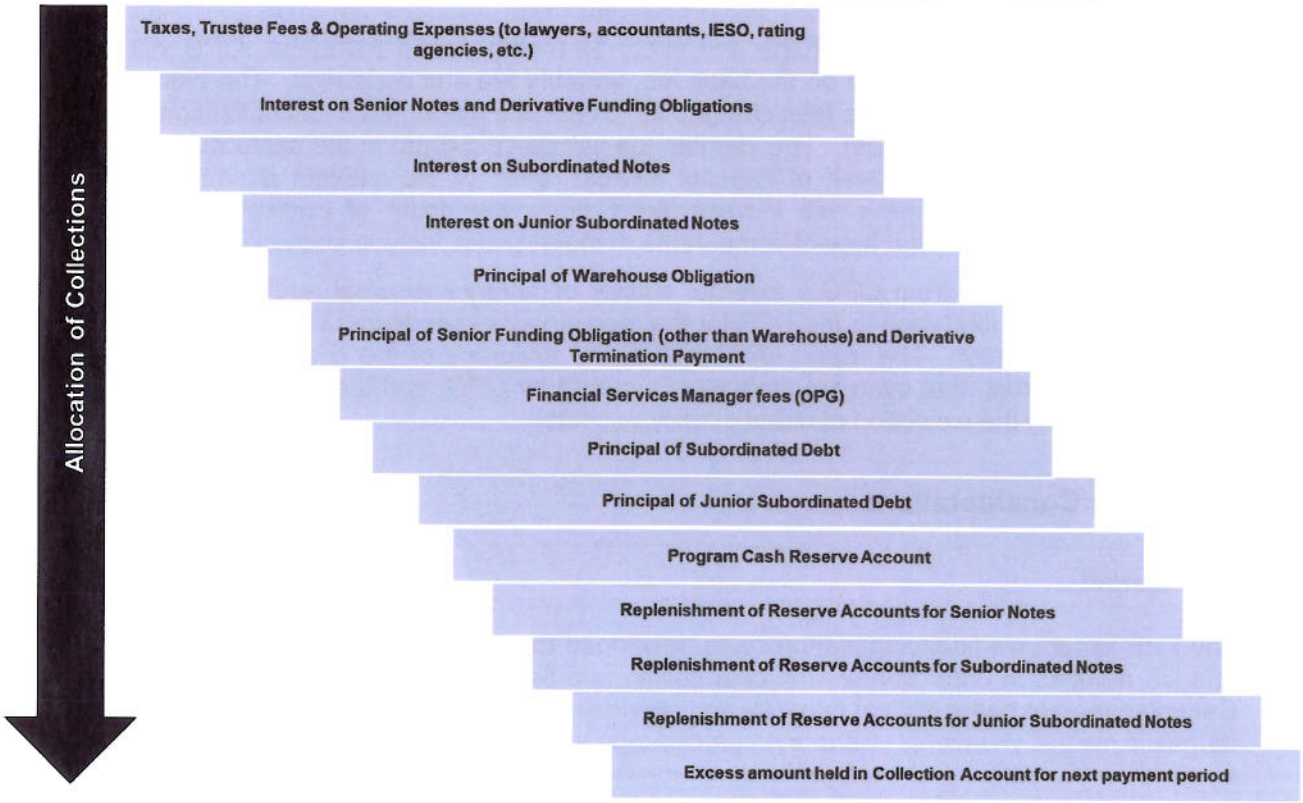
1. Market

The FHP Program's financing platform was developed to allow for access to both the Canadian and US markets in order to have the best pricing and flexibility options. To the extent that the Canadian market has sufficient capacity and provides cost efficiency, priority will be given to the domestic market. However, there is no precedence in the Canadian market for term ABS notes longer than 10 years, nor the size of funding required by the FHP Program. Due to this, the ability to access the US market provides the program additional financing capacity in the event that the Canadian market cannot support the financing requirement. The FSM will make its decision on which market to access on a deal-by-deal basis.

2. Application of Recovery Amounts to Funding Obligations

Section 7.04(e) of the MTI outlines the payment priorities for the Trust's receipt of cash flows. Figure 5 below summarizes the significant components of the payment waterfall.

Figure 5: Payment Waterfall for Fair Hydro Trust Cash Collections



Payment Priorities

On each payment date, all amounts on deposit in the collection account will be paid out in the following order of priority:

1. to pay (A) all taxes exigible for which a governmental authority is given priority over the specified creditors under the laws of the applicable jurisdiction, and then (B) fees, expenses and reimbursements owing to the Issuer Trustee and the Indenture Trustee up to a maximum aggregate amount of equal to $150,000, multiplied by the number of series of senior Funding Obligations outstanding on the payment date, divided by 12;
2. to pay (A) interest, fees and other amounts owing in respect of senior debt and (B) amounts payable to derivative counterparties other than termination payments;
3. to pay interest, fees and other amounts owing in respect of subordinated debt;
4. to pay interest, fees and other amounts owing in respect of junior subordinated debt;
5. to pay principal owing in respect of warehouse debt;
6. to pay (A) principal owing in respect of senior debt to the extent required to satisfy any payment of principal; and (B) termination payments owing to derivative counterparties where the derivative counterparty is not the defaulting party or the sole affected party;
7. to pay fees, expenses, reimbursement and indemnity amounts owing to the FSM;
8. to pay principal owing in respect of subordinated debt to the extent required to satisfy any payment of principal;

9. to pay principal owing in respect of junior subordinated debt to the extent required to satisfy any payment of principal;
10. to deposit to the Program Cash Reserve Account, if the amount on deposit is less than the required amount;
11. to replenish any reserve account in respect of senior debt, the amount required pursuant to the applicable Funding Obligation agreement;
12. to replenish any reserve account in respect of subordinated debt, the amount required pursuant to the applicable Funding Obligation agreement;
13. to replenish any reserve account in respect of junior subordinated debt, the amount required pursuant to the applicable Funding Obligation agreement;
14. to be held in the collection account for distribution in the above order of priority on the next payment date; or (ii) after all Funding Obligations have been paid and discharged, and all other amounts have been paid in full, to pay to the Trust.

3. Risk Mitigation Strategies

Currency Risk

If the Canadian market cannot support the financing capacity of the FHP Program in the future and/or it is less cost efficient than the US market at the time of each subsequent debt issuance, the Trust will access the US market for long-term financing.

Under this scenario, hedges will be considered to mitigate currency exposure. For the initial debt issuance in 2017, it is anticipated that funding will be sourced from the Canadian market only as it is expected to be more cost efficient and there is sufficient market capacity.

Interest Rate and Refinancing Risk

The FHP Program is expected to span over a 30-year period until 2047 with various series of notes expected to be issued at various maturity dates. Given the long-term timeline of the program, it is subject to interest rate and refinancing risk.

Interest rate hedges, including bond forwards and/or forward start interest rate swaps, will be considered in the future to mitigate potential interest rate risk and/or refinancing risk in a cost-efficient manner.

Legal and Political Risk

Given the long-term nature of the FHP Program and the potential for changes in provincial policy, the lenders requires that changes to any legislation (including the Act and its attendant regulations) that would materially and adversely affect the ability of the Trust to service interest or principal payments on its debt would be addressed by the Province.

As discussed in Section B, *11. Indemnifications*, the Change of Law Protection Agreement provides bondholders a limited guarantee that the Province will cover the approved obligations of the Trust if the guarantee is triggered.

4. Tax Minimization Strategies

Beneficiary – FHP2017 Inc.

The majority unitholder and beneficiary of the Trust is exempt from federal tax under section 149 of the *Income Tax Act, Canada* and from Ontario tax under section 27 of the *Ontario Taxation Act, 2007*.

The beneficiary is subject to payments in lieu of federal and provincial income taxes (**PILs**). In order to minimize the tax associated with the Fair Hydro Plan, an exemption from PILs payable on income from the Trust has been requested for the beneficiary. This will result in a reduction in the income tax costs related to the Financing Plan.

Fair Hydro Trust

Trust income will be fully distributed to unitholders to ensure that there is no tax payable by the Trust.

D. Execution Plan for First Investment Asset Purchase

The regulatory asset balance available to be purchased from the IESO is expected to be approximately $1.2 billion, representing accumulated GAC deferrals up to the end of November 2017. Given there will be better market access in January 2018 compared to December 2017, the short-term warehouse facility will be utilized to fund the senior debt tranche of the funding requirement for the first investment asset purchase. Accordingly, the size of the short-term funding is approximately $600 million, representing 51 percent of the funding structure allocation from capital markets. OPG will purchase short-term subordinated and junior subordinated debt issued by the Trust for approximately $580 million, representing the remaining 49 percent of the total funding requirement.

Key Activities

The following table outlines the key activities for funding the first purchase of the Investment Asset:

Activity	2017/2018 Timeline
Province's Equity Contribution and Warehouse Facility Closing & Funding to Purchase Investment Asset	December 21, 2017
Term Debt Rating Agencies' Confirmation of Ratings	Week of January 8, 2018
Marketing & Roadshow	Week of January 22, 2018
Term Debt Pricing	Week of February 5, 2018
Term Debt Closing & Funding	T+5 of Pricing Date

E. Glossary of Terms

In this Financing Plan, the capitalized terms used have the following meanings from the Act:

"**Clean Energy Adjustment**" means the amount determined under section 15 and payable by specified consumers

"**Clean Energy Benefits**" means the value of the benefits determined to be derived by or accruing to specified consumers as a result of the clean energy initiative, including as a result of clean energy costs

"**Clean Energy Costs**" means the value of the costs allocated to specified consumers as a result of the clean energy initiative, including as a result of past, present and expected costs incurred in respect of,

a) the amounts to be paid or reflected by the IESO in adjustments made under section 25.33 of the Electricity Act, 1998 or any provision that is the successor to that provision, which relate to contracts or amounts for,
    (i) renewable energy generation or capacity,
    (ii) conservation and demand management,
    (iii) energy storage,
    (iv) energy efficiency,
    (v) natural gas generation and capacity, excluding contracts relating to amounts payable by the IESO under section 78.2 of the Ontario Energy Board Act, 1998 and excluding such other contracts as may be prescribed,
b) payments made or expected to be made under section 78.5 of the *Ontario Energy Board Act, 1998*, and
c) such other costs or estimated costs as may be prescribed

"**Clean Energy Initiative**" means the policies of the Government of Ontario related to,

a) eliminating coal generation and fostering the growth of and investment in clean, modern and reliable energy sources and technologies,
b) removing barriers to and promoting opportunities for clean and renewable energy sources and technologies,
c) promoting conservation, demand management and energy efficiency, and
d) investing in energy infrastructure to ensure a clean, modern and reliable system

"**Fair Allocation Amount**" means an amount calculated under section 20 of the Act

"**Finance Amount**" means the finance amount determined in accordance with the regulations

"**Funding Obligation**" means a payment obligation incurred by or on behalf of an investment interest owner to fund its ownership of an investment interest or a payment obligation that meets such other criteria as may be prescribed

"**Investment Asset**" means the rights and interests described in section 29 of the Act

"**Investment Interest**" means,

a) an ownership interest in the investment asset, and
b) in circumstances where the ownership interest is transferred, the rights and benefits specified in the agreement under which the interest is transferred

"**Reference Period**" means,

a) the period beginning on July 1, 2017 and ending on October 31, 2017, and
b) during the period beginning on November 1, 2017 and ending on either April 30, 2047 or such later day as may be prescribed,
   (i) every six-month period following the period mentioned in clause (a), or
   (ii) any period shorter than six months, as may be prescribed

From: Anna Strathy
To: Ken Kandeepan; Mike Manning
Subject: Fwd: OFHP Fees Regulation Meeting
Date: Monday, October 02, 2017 3:29:34 PM

FYI

--
Anna Strathy
Special Policy Advisor to the CEO
Ontario Financing Authority
416.325.8032

Begin forwarded message:

> **From:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Date:** October 2, 2017 at 3:24:39 PM EDT
> **To:** "Martin Schlaepfer (MOF)" <Martin.Schlaepfer@ontario.ca>
> **Cc:** "Francesca Bungaro-Yemec (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, Hresa Gavaris <Hresa.Gavaris@ofina.on.ca>
> **Subject: Re: OFHP Fees Regulation Meeting**
>
> Thanks Martin. Please include Ken Kandeepan and Mike Manning from the OFA.
>
> --
> Anna Strathy
> Special Policy Advisor to the CEO
> Ontario Financing Authority
> 416.325.8032
>
> On Oct 2, 2017, at 3:10 PM, Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca> wrote:
>
> > Hi Anna,
> >
> > We're looking to set up a meeting tomorrow with OPG, OFA and the OEB to discuss the OFHP Fees Regulation that is currently being drafted. This would be an internal meeting only with no political staff.
> >
> > Francesca will be in touch with your office to find a mutually convenient time.
> >
> > Let me know if you have any questions or concerns.
> >
> > Thanks,

Martin

Martin Schlaepfer
Director of Operations
Deputy Minister's Office
Ministry of Energy
T: 416-326-7688
E: martin.schlaepfer@ontario.ca

From:	HOILETT Rosemarie -PRESIDENT on behalf of LORD Bernard -BOARDCHAIR
To:	"glenn.thibeault@ontario.ca"
Cc:	Charles Sousa (MOF); Scott Thompson (CAB); Serge Imbrogno (ENERGY); Gadi Mayman; LYASH Jeffrey -PRESIDENT; HARTWICK Ken -FINANCE; GINTHER Chris -CAO; KING Catriona -OFFCORPSEC; MATHIAS Carlton -OFFCORPSEC
Subject:	GA Financing Response to Minister"s Request
Date:	Tuesday, April 18, 2017 9:10:43 AM
Attachments:	GA Financing Response to Minister"s request.pdf

Hello,

Please see the attached letter from Bernard Lord, Board Chair Ontario Power Generation.

Thanks,

Rosemarie

Rosemarie Hoilett

Executive Assistant - Jeff Lyash President & CEO | Bernard Lord Board Chair

Ontario Power Generation

700 University Ave | H19-A24

Toronto ON M5G 1X6

416-592-2114 | rosemarie.hoilett@opg.com

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ONTARIO POWER GENERATION

Bernard Lord
Board Chair

700 University Ave, Toronto, ON M5G 1X6

Tel: 416-592-2115
bernard.lord@opg.com

April 18, 2017

The Honourable Glenn Thibeault
Minister of Energy
4th Floor, Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1

Dear Minister Thibeault,

I am writing in response to your letter dated April 13, 2017, in which you requested OPG work with the Ministry of Energy, the IESO and the OEB and their respective advisors to consider and propose a financing plan to refinance the Global Adjustment in a manner that achieves the Province's price objectives, as outlined in the Premier's March 2, 2017 announcement.

As requested, OPG is working with the Ministry of Energy, the IESO and the OEB and their respective advisors to develop a plan that will incorporate the matters you identified, including potential structures and mechanisms that permit viable financing, sources of financing and required changes to legislation, regulations and OPG's constating documents to facilitate the implementation of the financing plan in a commercial manner. The plan will also include assurances that implementation of the financing plan will have no adverse impacts on OPG, its operating assets or the manner in which they are regulated. I note the Province's commitment to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing. This will be an important consideration for the OPG Board.

OPG has engaged financial and legal advisors with significant capital markets expertise, including experience in the United States where a number of state-owned utilities have put in place highly rated financing for costs that are to be recovered over a long period of time. Work on OPG's financing plan is being guided by these advisors and precedents.

The Board will provide you with our recommendation and plan in the timeframe requested.

Sincerely,

Bernard Lord
Board Chair

cc: The Honourable Charles Sousa, Minister of Finance
Scott Thompson, Deputy Minister of Finance
Serge Imbrogno, Deputy Minister of Energy
Gadi Mayman, CEO, Ontario Financing Authority
Jeff Lyash, President and CEO, Ontario Power Generation

From:	HOILETT Rosemarie -PRESIDENT on behalf of LORD Bernard -BOARDCHAIR
To:	"glenn.thibeault@ontario.ca"
Cc:	Charles Sousa (MOF); Scott Thompson (CAB); Serge Imbrogno (ENERGY); Gadi Mayman; LYASH Jeffrey -PRESIDENT; HARTWICK Ken -FINANCE; GINTHER Chris -CAO; KING Catriona -OFFCORPSEC; MATHIAS Carlton -OFFCORPSEC
Subject:	GA Financing Response to Minister"s Request
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Thanks,

Rosemarie

Rosemarie Hoilett

Executive Assistant - Jeff Lyash President & CEO | Bernard Lord Board Chair

Ontario Power Generation

700 University Ave | H19-A24

Toronto ON M5G 1X6

416-592-2114 | rosemarie.hoilett@opg.com

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ONTARIO POWER GENERATION

Bernard Lord
Board Chair

700 University Ave, Toronto, ON M5G 1X6

Tel: 416-592-2115
bernard.lord@opg.com

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Minister of Energy
4th Floor, Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1

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As requested, OPG is working with the Ministry of Energy, the IESO and the OEB and their respective advisors to develop a plan that will incorporate the matters you identified, including potential structures and mechanisms that permit viable financing, sources of financing and required changes to legislation, regulations and OPG's constating documents to facilitate the implementation of the financing plan in a commercial manner. The plan will also include assurances that implementation of the financing plan will have no adverse impacts on OPG, its operating assets or the manner in which they are regulated. I note the Province's commitment to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing. This will be an important consideration for the OPG Board.

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The Board will provide you with our recommendation and plan in the timeframe requested.

Sincerely,

Bernard Lord
Board Chair

cc: The Honourable Charles Sousa, Minister of Finance
Scott Thompson, Deputy Minister of Finance
Serge Imbrogno, Deputy Minister of Energy
Gadi Mayman, CEO, Ontario Financing Authority
Jeff Lyash, President and CEO, Ontario Power Generation

From:	Tekle, Jonathan (MOF)
To:	Patrick Laughton (MOF); Gadi Mayman; Ronald Kwan; Ken Kandeepan; Mike Manning; Usman Zahid; Tobias P. Whitfield (MOF); Mark Donaldson (MOF); Tim Christie (ENERGY); Thouin, Alena (ENERGY); Hosick, Sarah (TBS); Malle Hanslep (MOF); Hilary Cox (ENE); Tom McKinlay (MAG)
Cc:	Anna Strathy; David McLean (MOF)
Subject:	Materials | Joint Ministers Briefing | OFHP
Date:	Wednesday, November 29, 2017 11:21:51 AM
Attachments:	OPG - COLPA Ministers Briefing - Nov 29 2017 v7.pptx

Hi all,

Attached is additional material for the joint Minister's briefing at noon. ENERGY will bring copies of this deck to the meeting.

As far as stage management for the meeting:

- Andrew will provide opening remarks
- Overview of the Limited Guarantee from the Province
- OPG Update on Financing Program

Thanks,

Jonathan Tekle
Senior Policy Advisor, Deputy Minister's Office, Ministry of Finance
Frost Building South, 7th Floor
7 Queen's Park Crescent
Toronto, Ontario M7A 1Y7



Ontario Power Generation

Update on Fair Hydro Plan Financing Program

November 29, 2017

ONTARIO POWER GENERATION



Context

- Provide an update for Ministers on Ontario Power Generation (OPG) financing activities
- Update on discussions with rating agencies
- Outline of next steps

ONTARIO POWER GENERATION



Rating Agencies' Status

OPG has engaged the following rating agencies (i.e., DBRS and Moody's) to provide credit ratings on the Fair Hydro Trust's (FHT) senior debt (i.e., Tranche A) and subordinated debt (i.e., Tranche B and Tranche C)

Completed To-Date:

- OPG has provided drafts of all requisite program agreements for rating agencies' review
- Several meetings have occurred between management, financial advisors and rating agencies to review key elements of the program
- Initial comments received from rating agencies have been addressed
- The Independent Electricity System Operator (IESO) servicing review was conducted with rating agencies, dealers, and OPG

Outstanding:

- DBRS and Moody's to complete review of final documentation and provide preliminary credit ratings for all debt tranches by **week of December 11th**

ONTARIO POWER GENERATION



Short-Term Warehouse

OPG is securing an $800 million warehouse facility agreement with a bank syndicate comprising of CIBC, RBC and Goldman Sachs under a 2-year committed term

Proposed December 2017 Transaction

- Regulatory asset available to be purchased from IESO is expected to be approximately $1.2 billion, representing accumulated deferrals up to the end of November 2017
- OPG advises that better market access for term debt is expected in January 2018. The FHT will fund the December transaction using the following sources:
  - Short-term warehousing facility for 51% or ~$610 million;
  - Province's equity injection for 44% or ~$530 million; and
  - OPG's contribution for 5% or ~$60 million

ONTARIO POWER GENERATION



Indicative Marketing Timeline

The following outlines the proposed timeline for funding the initial regulatory asset purchase from IESO:

Activity	Indicative Timeline
Term Debt Rating Agencies' Preliminary Assessment	Week of December 11, 2017
Warehouse Facility Closing & Funding	December 18, 2017
Term Debt Rating Agencies' Confirmation of Ratings	Week of January 8, 2018
Marketing & Roadshow (Toronto, Montreal & Vancouver)	Week of January 15, 2018
Term Debt Pricing	Week of January 22, 2018
Term Debt Closing	T+5 of Pricing Date

ONTARIO POWER GENERATION



Next Steps

- Finalize Change of Law Protection Agreement by week of December 4, 2017
- Complete rating agencies' process by week of December 11, 2017
- Fund equity contribution and close short-term warehouse on December 18, 2017 for purchase of regulatory asset from IESO
- Market and close long-term debt in January 2018

From:	Anna Strathy
To:	Gadi Mayman
Subject:	OFHP Ministers Speaking Points on Financing (OFA).docx
Date:	Wednesday, October 11, 2017 2:09:23 PM
Attachments:	OFHP Ministers Speaking Points on Financing (OFA).docx

Hi Gadi,

For your review and comment, proposed speaking points on the financing elements of the AG's report for Minister Sousa.

Happy to discuss.

Anna

MINISTER SOUSA'S SPEAKING POINTS

Financing

The report claims that consumers will pay an additional $4 billion in interest costs over the life of OFHP since OPG and its Financing Entity will pay a higher rate of interest compared to the Province.

- The province has never calculated a differential between the Province and the Financing Entity's borrowing costs, because the objective is to borrow at the lowest possible cost, while achieving the primary policy objective of ensuring the costs are borne by the beneficiaries of the electricity system - the rate payers - not the tax-base.

- It is appropriate for ratepayers to pay for the financing of electricity assets. The rate base has a different risk profile than the tax base, resulting in higher interest costs.

- The $4 billion figure, sourced from the FAO's May 2017 report, is based on preliminary estimates of the program. At this point, it is projected to be substantially less for two reasons:

    - Peak debt estimates for the thirty year program have been revised down to $18.5 billion, significantly lower than the FAO's estimate of $26.2 billion in its May report.

    - OPG's first issuance on September 28 for the OFHP suggests that the spread between its borrowing costs and that of the Province will be lower than the FAO's estimate of 90 basis points. Until the program is complete however, it would be difficult to estimate this spread over the 30 year lifespan of the program.

From: Anna Strathy
To: Gadi Mayman
Subject: OFHP Ministers Speaking Points on Financing (OFA).docx
Date: Wednesday, October 11, 2017 4:22:55 PM
Attachments: OFHP Ministers Speaking Points on Financing (OFA).docx

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Final speaking points.

MINISTER SOUSA'S SPEAKING POINTS

Financing

The report claims that consumers will pay an additional $4 billion in interest costs over the life of OFHP since OPG and its Financing Entity will pay a higher rate of interest compared to the Province.

- Because the objective of the financing structure is to borrow at the lowest possible cost, while achieving the primary policy objective of ensuring the costs are borne by the beneficiaries of the electricity system - the rate payers - not the tax-base, the province has never calculated a differential between the Province and the Financing Entity's borrowing costs.

- It is appropriate for ratepayers to pay for the financing of electricity assets. The rate base has a different risk profile than the tax base, resulting in higher interest costs.

- The $4 billion figure, sourced from the FAO's May 2017 report, is based on preliminary estimates of the program. At this point, it is projected to be substantially less for two reasons: peak debt estimates for the thirty year program have been revised down; and interest costs are lower than estimated.

From:	Carlos Yep
To:	Mike Manning; James Devine; Ken Kandeepan; John Psinas; Gadi Mayman; Anna Strathy; Ronald Kwan; John Kim; Malle Hanslep (MOF)
Subject:	OPG $2B MTN shelf filing
Date:	Wednesday, September 06, 2017 10:20:36 AM
Attachments:	OPG Preliminary short form prospectus $2B SEDAR 1sep2017.pdf

FYI – OPG has filed a $2B MTNs shelf.

Page 7-8 RECENT DEVELOPMENTS: Ontario Fair Hydro Plan

Page 28 USE OF PROCEEDS: The company expects that up to 300 million of the net proceeds from the sale of the Notes during the term of this prospectus may be used to finance portion of the Company's debt investment in the Financing Entities. See Recent Developments – Ontario Fair Hydro Plan

http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00012633

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

A copy of this preliminary short form base shelf prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form base shelf prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form base shelf prospectus is obtained from the securities regulatory authorities.

This short form prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities. All shelf information omitted from this shelf prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with the base shelf prospectus.

This preliminary short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities to be issued hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered, sold or delivered within the United States of America and its territories and possessions except in certain transactions exempt from the registration requirements of such Act. See "Plan of Distribution".

***Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada**. Each shelf prospectus supplement will be incorporated by reference into this shelf prospectus for the purposes of securities legislation as of the date of the shelf prospectus supplement and only for the purposes of the distribution of the securities to which the shelf prospectus supplement pertains. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Ontario Power Generation Inc., 700 University Avenue, Toronto, Ontario, M5G 1X6, Canada, (416) 592-6700 and are also available electronically at www.sedar.com.*

PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS

New Issue September 1, 2017

ONTARIO POWER GENERATION INC.
$2,000,000,000
Medium Term Notes
(unsecured)

Ontario Power Generation Inc. ("OPG" or the "Company") may offer and issue from time to time medium term notes (the "Notes") in an aggregate principal amount of up to $2,000,000,000 in Canadian currency (or the equivalent thereof in other currencies or currency units at the time of issue) during the twenty-five months from the date of issuance of the receipt for this short form prospectus.

The Notes will have a term to maturity of not less than one year and will be issuable in Canadian currency (or in other currencies or currency units) in fully registered definitive or global form, in which case the Notes will be exchangeable only under certain conditions for definitive Notes.

Notes issued hereunder will be direct unsecured obligations of the Company, will be issued under a trust indenture in any number of series or separate issues thereof, and will at their respective dates of issue rank *pari passu* with all other unsecured and unsubordinated Indebtedness (as defined below) of the Company then outstanding, except as to any sinking fund which pertains exclusively to any particular Indebtedness of the Company.

The specific variable terms of an offering of Notes (including the aggregate principal amount of the Notes being offered, the currency or currencies, the issue and delivery date, the form, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the issue price, the interest payment date(s), any redemption or repayment provisions, any provisions entitling the Company to extend the maturity date of the Notes, the name(s) of the dealer(s) offering the Notes, the commission payable to such dealer(s), the method of distribution and the net proceeds to the Company) will be set forth in a prospectus supplement or pricing supplement which will accompany this short form prospectus. Unless otherwise indicated in a prospectus supplement or pricing supplement, the Notes will not be listed on any securities exchange.

This short form prospectus does not qualify the issuance of Notes: (i) entitling the holder to exchange or convert the Notes into securities issued by the Company or into securities issued by another entity; or (ii) in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. For greater certainty, however, this short form prospectus does qualify for issuance Notes in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or a bankers' acceptance rate, or to recognized market benchmark interest rates, such as CDOR, LIBOR or EURIBOR, or to interest rates on Government of Canada bonds.

The sole shareholder of the Company is the Province of Ontario (the "Province"). The Notes will not be obligations of, and will not be guaranteed in any manner by, the Province.

Investing in the Notes involves risks. See "Risk Factors" in this short form prospectus, which may be amended or supplemented in any prospectus supplement or pricing supplement.

Unless otherwise indicated in a prospectus supplement or pricing supplement, there is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".

Certain directors of the Company reside outside of Canada. Each such director has appointed the Company as his/her agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. See "Agent for Service of Process in Canada".

RATES ON APPLICATION

The Notes may be offered severally by one or more of BMO Nesbitt Burns Inc., TD Securities Inc., Goldman Sachs Canada Inc., CIBC World Markets Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., National Bank Financial Inc., RBC Dominion Securities Inc. and Scotia Capital Inc. pursuant to the dealer agreement referred to under the heading "Plan of Distribution" or such other dealers as may be selected from time to time by the Company (the "Dealers"), in each case acting as agent of the Company or as principal. Where the Notes are offered by the Dealers as agent, the commissions payable in connection with sales of such Notes shall be agreed from time to time between the Company and any such Dealers. Where the Notes are purchased by the Dealers as principal, the Notes shall be purchased at such prices and with such commissions as may be agreed from time to time between the Company and any such Dealer(s) for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. In each case, the commissions payable, if any, will be set forth in a prospectus supplement or pricing supplement that will accompany and be incorporated by reference in this short form prospectus. Each Dealer's compensation will increase or decrease by the amount by which the aggregate price paid for Notes by purchasers exceeds or is less than the price paid by the Dealer, acting as principal, to the Company. The Company may also offer the Notes directly to potential purchasers pursuant to applicable statutory exemptions at prices and upon terms negotiated between the purchaser and the Company.

Certain of the Dealers may be subsidiaries or affiliates of lenders to the Company or its subsidiaries, now or in the future. Details of any relevant connected issuer considerations will be included in a prospectus supplement or pricing supplement if applicable to any offering of Notes. See "Plan of Distribution".

The offering of Notes is subject to the approval of certain legal matters on behalf of the Company by Torys LLP and on behalf of the Dealers by Blake, Cassels & Graydon LLP.

The Company's head and registered office is located at 700 University Avenue, Toronto, Ontario, M5G 1X6, Canada.

The Company's consolidated financial statements incorporated by reference in this short form prospectus have been prepared in accordance with U.S. generally accepted accounting principles. Unless otherwise specified or the context otherwise requires, all references herein to currency are references to Canadian dollars.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have been filed with the securities commission or similar regulatory authority in each of the provinces of Canada, are specifically incorporated by reference in this short form prospectus:

(a) the annual information form of the Company dated March 10, 2017 (the "AIF");

(b) the comparative audited consolidated financial statements of the Company, and the notes thereto, as at and for the fiscal years ended December 31, 2016 and 2015, together with the report of the auditors thereon dated March 10, 2017;

(c) management's discussion and analysis ("MD&A") for the year ended December 31, 2016;

(d) the statement of executive compensation for the year ended December 31, 2016; and

(e) the unaudited consolidated financial statements of the Company, and the notes thereto, as at June 30, 2017 and for the three and six month periods ended June 30, 2017 and June 30, 2016 together with MD&A for those periods.

Updated earnings coverage ratios, as required, will be filed quarterly with the appropriate securities regulatory authorities either as prospectus supplements or as part of the Company's unaudited interim and audited annual consolidated financial statements and will be deemed to be incorporated by reference into this short form prospectus for the purposes of the offering of Notes hereunder.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including documents of the types

referred to in paragraphs (a) through (e) above, any material change reports (except confidential material change reports), and any business acquisition reports filed by the Company with the securities regulatory authorities in Canada since the end of the financial year in respect of which its then current annual information form is filed, shall be deemed to be incorporated by reference into this short form prospectus. Upon a new annual information form, new statement of executive compensation and new annual financial statements and the related MD&A being filed by the Company with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous statement of executive compensation, the previous annual financial statements and the related MD&A, and all previous interim financial statements and the related MD&A filed prior to the commencement of the Company's financial year in which the new documents are filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of Notes hereunder.

A pricing supplement or prospectus supplement containing the specific variable terms for an issue of Notes will be delivered to purchasers of such Notes together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of the pricing supplement or prospectus supplement, solely for the purposes of the Notes issued under that pricing supplement or prospectus supplement. Any template version of marketing materials for an issue of Notes filed by the Company with the securities regulatory authorities in Canada after the date of the pricing supplement or prospectus supplement in respect of such issue of Notes and before the termination of the distribution of such Notes will be deemed to be incorporated by reference into that pricing supplement or prospectus supplement.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded and not incorporated by reference, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This short form prospectus, including the documents incorporated by reference herein, contains "forward-looking information" within the meaning of applicable Canadian securities laws that is based on current expectations, estimates, forecasts and projections about the business of the Company and the industry in which the Company operates and includes beliefs and assumptions made by the management of the Company. Such information includes, but is not limited to, statements about the general development of the Company's business, the Company's strategy, future capital expenditures, and expectations regarding developments in the statutory and operating framework for electricity generation and sale in Ontario. Additional forward-looking information is identified in the various documents incorporated by reference in this short form prospectus, including the section entitled "Forward-Looking Information" in the Company's annual information form and the section entitled "Forward-Looking Statements" in the Company's MD&A. The Company generally uses words such as "anticipate", "believe", "foresee", "forecast", "estimate", "expect", "schedule", "intend", "plan", "project", "seek",

"target", "goal", "strategy", "may", "will", "should", "could", and other similar words and expressions to indicate forward-looking statements. The absence of any such word or expression does not indicate that a statement is not forward-looking. The forward-looking information contained in this short form prospectus, including the documents incorporated by reference herein, are not guarantees of future performance and involve inherent assumptions and risks and uncertainties that are difficult to predict. All forward-looking statements could be inaccurate to a material degree. In particular, the forward-looking information contained in this short form prospectus is based on a variety of factors and assumptions including, OPG's generating station performance and availability, fuel costs, surplus baseload generation, cost of fixed asset removal and nuclear waste management, performance and earnings of investment funds, refurbishment of existing facilities, development and construction of new facilities, pension and other post-employment benefit obligations and funds, income taxes, proposed new legislation, the ongoing evolution of Ontario's electricity industry, environmental and other regulatory requirements, health, safety and environmental developments, business continuity events, the weather, financing and liquidity, applications to the Ontario Energy Board ("OEB") for regulatory prices, the impact of regulatory decisions by the OEB, operations, maintenance and administration expenditures, retention of critical talent, supplier and third party performance, and forecasts of earnings, cash flows, Funds from Operations Adjusted Interest Coverage, Return on Common Equity Excluding Accumulated Other Comprehensive Income, Total Generating Cost and capital expenditures. Actual outcomes and results may differ materially from what is expressed, implied or forecasted in this forward-looking information. While the Company does not know what impact any of these differences may have, the Company's business, results of operations, financial condition and credit stability may be materially adversely affected. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information are discussed in more detail under "Risk Factors" in this short form prospectus and in any prospectus supplement or pricing supplement and in the sections entitled "Forward-Looking Information" and "Risk Factors" in the Company's annual information form and the sections entitled "Risk Management" and "Forward-Looking Statements" in the Company's MD&A. You should carefully consider these and other factors and not place undue reliance on forward-looking information.

The forward-looking information included in this short form prospectus and in the documents incorporated by reference represent the Company's views as of the date of this short form prospectus or the relevant document incorporated by reference herein, as applicable, and should not be relied upon as representing the Company's views as of any subsequent date. The Company has no intention and undertakes no obligation to update or revise any forward-looking information as a result of new information, future events or otherwise, except as required by law.

THE COMPANY

OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. OPG was established under the *Business Corporations Act* (Ontario) and is wholly-owned by the Province.

OPG is Ontario's largest clean energy generator. As at June 30, 2017, OPG operated two nuclear generating stations, 66 hydroelectric generating stations, three thermal generating stations, and one wind power turbine. In addition, OPG and TransCanada Energy Ltd. co-own the 550 MW Portlands Energy Centre ("PEC") gas-fired combined cycle generating station. OPG and ATCO Power Canada Ltd. co-own the 560 MW Brighton Beach gas-fired combined cycle generating station ("Brighton Beach"). Including its share of the co-owned facilities, OPG's total in-service generating capacity was 16,210 MW as at June 30, 2017, which represented approximately 45 percent of installed generation capacity in Ontario's electricity grid as reported by the Independent Electricity System Operator ("IESO"). OPG's in-service generating capacity as of June 30, 2017 excludes Unit 2 of the Darlington Nuclear Generating Station.

This unit, which has a generating capacity of 878 MW, was taken offline in mid-October 2016 and is currently undergoing refurbishment. OPG operates under an electricity generation licence issued by the OEB, which is valid until October 30, 2023. OPG expects the licence to be renewed in the future.

OPG also owns two other nuclear generating stations, the Bruce A Nuclear Generating Station and the Bruce B Nuclear Generating Station, which are leased on a long-term basis to Bruce Power LP and are not included in the generation and other operating statistics contained and incorporated by reference in this short form prospectus. A description of OPG's segments is provided in OPG's 2016 annual MD&A in the section, "Business Segments".

All of OPG's owned and co-owned generating facilities are located in Ontario. OPG does not operate PEC, Brighton Beach, the Bruce A Nuclear Generating Station and the Bruce B Nuclear Generating Station.

The address of the head and registered office of the Company is 700 University Avenue, Toronto, Ontario, M5G 1X6, Canada.

RECENT DEVELOPMENTS

Ontario Fair Hydro Plan

In June 2017, the Ontario government passed the *Ontario Fair Hydro Plan Act, 2017* (the "FHPA"), legislation that permits the refinancing of certain electricity infrastructure costs and provides immediate rate relief to consumers. Under the FHPA, OPG is appointed as financial services manager and is given the authority to, among other things, establish and manage one or more financing entities (the "Financing Entities") to raise debt financing for the purposes of the FHPA (such debt, the "FHPA Debt"). Subject to the terms of the FHPA, the FHPA Debt is ultimately recoverable through amounts charged to electricity consumers. OPG will control the Financing Entities and will provide management and financial services to the Financing Entities to implement the financing plan. The Province has agreed to indemnify the Company, its subsidiaries (other than any Financing Entities) and each of their directors, officers and employees in respect of losses arising directly or indirectly from its activities with respect to the implementation of or relating to the FHPA (subject to limited exceptions, including losses arising as a result of dishonesty, gross negligence or wilful misconduct).

In addition, it is expected that OPG will acquire a portion of the FHPA Debt, which is anticipated to consist of subordinated debt. A significant portion of the Company's investments in the FHPA Debt are expected to be funded through equity investments in OPG by the Province, with a portion of the investments to be funded from the Company's available funds, including all or a portion of the proceeds of any offerings of Notes. See "Use of Proceeds".

Under section 53.1 of the *Electricity Act, 1998*, as amended by the FHPA, regardless of whether a Financing Entity is or is not a subsidiary of OPG:

(a) the assets and liabilities of the Financing Entity shall not form part of the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary); and

(b) the assets and liabilities of OPG or any of its subsidiaries (excluding the Financing Entity if it is a subsidiary) shall not form part of the assets and liabilities of the Financing Entity.

The Financing Entities will not be Designated Subsidiaries of the Company subject to the Trust Indenture provisions, and their assets and liabilities will be excluded for the purposes of definitions and calculations under the Trust Indenture. None of the Company, its subsidiaries, the Trustee or any holder of Notes will have any recourse whatsoever against any Financing Entity or the assets of any Financing Entity, provided that, for clarity, the foregoing will not affect any of the Company's or its subsidiaries' rights and remedies as a holder of FHPA Debt in accordance with the provisions of that indebtedness. See "Description of the Notes - Limitations Regarding Fair Hydro Plan Financing Entities".

CREDIT RATINGS

As of the date of this short form prospectus, Standard & Poor's Ratings Service ("S&P") and DBRS Limited ("DBRS") have each assigned long-term debt ratings of "BBB+" and "A (low)", in respect of the Company.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The rating agencies rate long-term debt instruments by rating categories ranging from a high of AAA to a low of D. Long-term debt instruments which are rated in the BBB category by S&P are in the fourth highest category and exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. S&P may modify the ratings from AA to CCC using a plus (+) or minus (-) sign to show relative standing within the major rating categories. Long-term debt instruments which are rated in the A category by DBRS are in the third highest category and are considered to be of a good credit quality, with substantial capacity for the payment of financial obligations. Entities in the A category are considered to be vulnerable to future events, but qualifying negative factors are considered manageable. The "low" modifier indicates relative standing within this rating category by DBRS. In some circumstances, no rating may be assigned to a drawdown, and if a definitive rating is issued, it may differ from the provisional rating.

The ratings mentioned above are not a recommendation to purchase, sell or hold the Company's debt securities including the Notes and do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be revised or withdrawn entirely by any or all of S&P and DBRS at any time in the future if in their judgment circumstances so warrant.

The Company has made, and anticipates making, payments to each of S&P and DBRS pursuant to the ratings agency services agreements entered into with such credit rating organizations with respect to the ratings assigned to the long-term debt of the Company. In addition, as Notes are issued, the Company expects to make payments to such credit rating organizations pursuant to the ratings agency services agreements entered into with such credit rating organizations for the ratings they assign to the Notes of a particular series. The Company has also made payments to S&P for evaluation services in connection with potential changes in the Company's capital structure. There have been no other services provided by any of such credit rating organizations to the Company within the last two years.

ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Dealers, unless otherwise specified in the applicable prospectus supplement or pricing supplement, the Notes, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "Tax Act") for a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), registered education savings plan ("RESP"), registered disability savings plan ("RDSP"), deferred profit sharing

plan (other than a trust governed by a deferred profit sharing plan for which any employer is the Company or an employer who does not deal with the Company at arm's length for purposes of the *Tax Act*) or a tax-free savings account ("TFSA").

The Notes will not be a "prohibited investment" (within the meaning of the *Tax Act*) for a TFSA, RRSP or RRIF, provided that the holder of the TFSA or the annuitant of the RRSP or RRIF, (i) deals at arm's length with the Company for purposes of the Tax Act, and (ii) does not have a "significant interest" (within the meaning of the *Tax Act*) in the Company. On March 22, 2017, the Minister of Finance (Canada) announced proposed amendments to the *Tax Act* that would extend the prohibited investment rules to RESPs and RDSPs effective after March 22, 2017. Individuals who hold or intend to hold the Notes in a RRSP, RRIF, RESP, RDSP or TFSA should consult their own tax advisors regarding the application of the foregoing prohibited investment rules in their particular circumstances.

EARNINGS COVERAGE RATIOS

For the twelve months ended December 31, 2016 and the twelve months ended June 30, 2017, the Company's consolidated income before income taxes, interest expense (net of capitalized interest) and non-controlling interest was $761 million and $875 million, respectively. Interest expense (net of capitalized interest) for these periods was $157 million and $137 million, respectively, and including capitalized interest, was $298 million and $295 million, respectively.

The following table sets forth the earnings coverage ratios for the Company for the twelve month period ended December 31, 2016, based on audited information, and for the twelve month period ended June 30, 2017, based on unaudited information, in each case without giving effect to any Notes to be issued under this short form prospectus:

	December 31, 2016	**June 30, 2017**
Earnings coverage on long-term debt obligations[(1)]	2.5	2.9

(1) The earnings coverage ratios have been calculated as the sum of net income attributable to the shareholder of the Company, income tax expenses and interest expense (net of capitalized interest) divided by the sum of interest expense including capitalized interest after giving effect to a series of debt issuances totalling $400 million and a series of repayments totalling $251 million, as if such amounts had been issued and repaid, respectively, at the beginning of each respective twelve month period. For the twelve months ended December 31, 2016 and the twelve months ended June 30, 2017, the Company's interest expense including capitalized interest after giving effect to such adjustments was $301 million and $299 million, respectively.

DESCRIPTION OF THE NOTES

General

The following is a summary of the material attributes and characteristics of the Notes, and does not purport to be complete and is qualified in its entirety by reference to the Notes and the Trust Indenture (as defined below).

The terms and conditions set forth in this section "Description of the Notes" will apply to each Note unless otherwise specified in the applicable prospectus supplement or pricing supplement. The Company reserves the right to set forth in a prospectus supplement or pricing supplement specific variable terms of or amendments to the Notes which are not within the options and parameters set forth in this short form prospectus. References in this section "Description of the Notes" refer to all medium term notes of the Company which have previously been or are to be issued under the Trust Indenture.

This short form prospectus qualifies under applicable Canadian securities laws the distribution of $2,000,000,000 aggregate principal amount of Notes in Canadian currency (or the equivalent thereof in other currencies or currency units at the time of issue) which have been authorized for issue under the Trust Indenture. This amount is subject to amendment from time to time as determined by the Company.

Notes issued hereunder will have a term to maturity of not less than one year and will be issuable in Canadian currency (or in other currencies or currency units at the time of issue) in fully registered definitive or global form, in which case the Notes will be exchangeable only under certain conditions for definitive Notes (as described under the heading "Global Notes" below). Each interest-bearing Note will bear interest at either a fixed rate (a "Fixed Rate Note") or a floating rate (a "Floating Rate Note"). Notes will be issued from time to time at such rates of interest and at par, at a premium or at a discount, may be subject to redemption or repayment prior to maturity, or may include terms entitling the Company to extend the maturity dates of the Notes, which terms shall be determined by the Company based on a number of factors, including advice from the Dealers. The Notes will be unsecured and will, at their respective dates of issue, rank *pari passu* with all other unsecured and unsubordinated Indebtedness and obligations of the Company then outstanding, except as to any sinking fund which pertains exclusively to any particular Indebtedness of the Company. The Company may also, from time to time, issue debt securities and incur additional debt otherwise than through the issuance of Notes pursuant to this short form prospectus.

Neither the aggregate principal amount of Notes which will be issued and sold nor the issue price to the public of the Notes has been established as the Notes will be issued at such times, in such amounts and at such prices as the Company determines from time to time. Notes issued hereunder will be offered and sold during the twenty-five months from the date of issuance of the receipt for this short form prospectus at prices negotiated with the purchasers, and the prices at which the Notes will be offered and sold may vary as between purchasers and during the distribution period. The Notes will be issued from time to time at the discretion of the Company in an aggregate principal amount not to exceed $2,000,000,000 in Canadian currency, or the equivalent thereof calculated at the applicable rates of exchange prevailing at the time of issue of Notes issued in currencies other than Canadian currency.

The specific variable terms of any offering of Notes, including, in the case of Floating Rate Notes, the information necessary for the calculation of interest thereon, will be set forth in a prospectus supplement or pricing supplement to this short form prospectus. Where Notes are offered and sold in currencies other than Canadian dollars, the Canadian dollar equivalent of the offering price and the rate of exchange at the last feasible date will be included in the applicable prospectus supplement or pricing supplement.

Trust Indenture

The Notes will be issued under a trust indenture dated as of ■, 2017, as supplemented or modified from time to time (collectively, the "Trust Indenture") between the Company and BNY Trust Company of Canada, as trustee (the "Trustee", which term shall include, unless the context otherwise requires, its successors and assigns). The following is a brief summary of the material attributes and characteristics of the Trust Indenture. This summary does not purport to be complete and reference should be made to the Trust Indenture for more detailed information.

The Trust Indenture permits the issuance from time to time of additional unsecured medium term notes without limitation as to aggregate principal amount, subject to compliance with the covenants contained therein.

The Notes will be direct obligations of the Company and will rank *pari passu* with all other medium term notes from time to time issued and outstanding under the Trust Indenture and with other present and future unsubordinated and unsecured Indebtedness of the Company, except as to any sinking fund which pertains exclusively to any particular Indebtedness of the Company. The Notes will not be secured by any mortgage, pledge or charge, except in the circumstances referred to under the subheading "Negative Pledge".

Negative Pledge

The Trust Indenture contains provisions to the effect that the Company will not, and will not permit any Designated Subsidiary (as defined below) to, create or permit to subsist any Security Interest (as defined below) to secure any Indebtedness (as defined below) without contemporaneously providing to the Trustee a ratable and *pari passu* Security Interest in the same collateral. This covenant is, however, subject to the following exceptions:

- any Security Interest that secures an obligation of a Designated Subsidiary which exists prior to the date on which it becomes a Designated Subsidiary and which (a) was not incurred in contemplation of such person becoming a Designated Subsidiary and (b) is not applicable to the Company or any other Designated Subsidiary or the properties or assets of the Company or any other Designated Subsidiary;

- any Purchase Money Mortgage (as defined below) or Capital Lease Obligation (as defined below) of the Company or a Designated Subsidiary;

- any Security Interest in an asset, or in the Company's or a Designated Subsidiary's equity or debt interest in, the person holding such asset, created or assumed by the Company or a Designated Subsidiary to secure Non-Recourse Debt (as defined below) of the Company or the Designated Subsidiary in respect of such asset;

- any Security Interest created or assumed by the Company or a Designated Subsidiary to or in favour of a bank or other lending institution to secure indebtedness of the Company or the Designated Subsidiary that is payable on demand or that, on the date of issue or assumption of liability, has a term to maturity (including any right of extension or renewal) of 18 months or less and that is incurred by the Company or the Designated Subsidiary in the ordinary course of business and for the purpose of carrying on the same;

- any Security Interest granted by a Designated Subsidiary in favour of the Company or any wholly-owned Designated Subsidiary;

- any Security Interest in cash or marketable debt securities pledged to secure non-speculative Financial Instrument Obligations (as defined below) incurred in the ordinary course of business for risk management purposes that hedge Indebtedness of the Company or a Designated Subsidiary;

- any Security Interest in an asset acquired by the Company or a Designated Subsidiary that secures obligations of any other person, whether or not such obligations are assumed by the Company or the Designated Subsidiary, provided that the Security Interest exists before the asset is acquired by the Company or the Designated Subsidiary and was not created or assumed in contemplation or as a result of the asset being acquired by the Company or the Designated Subsidiary;

- any Security Interest in cash or marketable debt securities in a sinking fund account established by the Company for a series of notes under the Trust Indenture;

- any Security Interest or right of distress reserved in or exercisable under any lease for rent to which the Company or a Designated Subsidiary is a party and for compliance with the terms of that lease;

- any Security Interest given to an issuing bank to secure letters of credit issued to the IESO in order to comply with IESO's prudential requirements;

- a lien or deposit under workers' compensation, social security or similar legislation or good faith deposits in connection with bids, tenders, leases, contracts or expropriation proceedings, or deposits to secure public or statutory obligations or deposits of cash or obligations to secure surety and appeal bonds;

- any lien or privilege imposed by law, such as builders', carriers', warehousemen's, landlords', mechanics' and material men's liens and privileges, and any lien or privilege arising out of judgments or awards with respect to which the Company or a Designated Subsidiary at the time is prosecuting an appeal or proceedings for review and with respect to which it has secured a stay of execution pending that appeal or proceedings for review; or any liens for taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the Company or a Designated Subsidiary in good faith; or undetermined or inchoate lien privileges and charges incidental to current operations which have not at such time been filed pursuant to law against the Company or a Designated Subsidiary or which relate to obligations not due or delinquent; or the deposit of cash or securities in connection with any lien or privilege referred to in this clause;

- any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipelines and other similar purposes, or zoning or other restrictions as to the Company's use of real property, which do not in the aggregate materially detract from the value of that property or materially impair its use in the operation of the business of the Company or a Designated Subsidiary;

- any right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired by the Company or a Designated Subsidiary, or by any statutory provision to terminate any such lease, license, franchise, grant or permit or to purchase assets used in connection with or require annual or other periodic payments as a condition to the continuance thereof;

- any Security Interest granted by the Company or a Designated Subsidiary to (i) a public utility or any Governmental Authority when required by that utility or Governmental Authority, or (ii) any other person as required or imposed by Applicable Law, in each case in connection with the operations of the Company or a Designated Subsidiary;

- any reservation, limitation, proviso or condition, if any, expressed in any original grants to the Company or a Designated Subsidiary from the Crown;

- any Security Interest granted by the Company and/or its Designated Subsidiaries in connection with their respective obligations pursuant to the Ontario Nuclear Funds

Agreement (as defined below), provided that such Security Interest is limited to the interests of the Company and its Designated Subsidiaries, if any, in the segregated funds and/or trust funds (including the proceeds thereof) established pursuant to that agreement or Applicable Law to fund used nuclear fuel and/or other nuclear waste management and/or decommissioning costs;

- any Security Interest in IESO receivables granted in connection with an absolute assignment thereof in a securitization transaction and the proceeds thereof;

- Security Interests securing appeal bonds or other similar Security Interests arising in connection with contracts, bids, tenders or court proceedings, including, without limitation, surety bonds, security for costs of litigation where required by law and letters of credit, or any other instruments serving a similar purpose;

- any other Security Interest created or assumed by the Company or a Designated Subsidiary (in addition to the Security Interests referred to in the paragraphs above) if, after giving effect to the Security Interest, the aggregate amount of all Indebtedness secured by Security Interests permitted by this paragraph only does not at that time exceed 5% of Consolidated Net Worth (as defined below); and

- any extension, renewal, alteration, substitution or replacement, in whole or in part, of a Security Interest referred to in the paragraphs above, provided that the Security Interest is limited to all or part of the same assets (and the proceeds thereof), and the principal amount of the secured obligations, where limited by the foregoing provisions, is not increased by that action to an amount in excess of such limit (except to the extent of any fees, expenses and premiums incurred to discharge such secured obligations).

Limitation on Funded Indebtedness

So long as any of the Notes issued under the Trust Indenture remain outstanding, the Company will not, and will not permit any Designated Subsidiary to, directly or indirectly, issue, incur, assume or otherwise become liable for or in respect of any Funded Indebtedness (as defined below) unless, after giving effect thereto (including the application of the net proceeds thereof), Consolidated Funded Indebtedness (as defined below) would not exceed 75% of Total Consolidated Capitalization (as defined below).

Designation of Subsidiaries as Designated Subsidiaries

The Company may designate a subsidiary of the Company as a Designated Subsidiary provided that:

- none of the shares or ownership interests of the subsidiary are owned by a subsidiary that is not itself a Designated Subsidiary;

- at the time of and after giving effect to the designation, no Event of Default or event that, with the passing of time or the giving of notice or both, would constitute an Event of Default has occurred and is continuing; and

- after giving effect to the designation, the Company would be entitled to issue Funded Indebtedness in the principal amount of at least $1.00.

For greater certainty, no Financing Entity may be a Designated Subsidiary.

The Company may de-designate a Designated Subsidiary from time to time, provided that:

- no Funded Indebtedness of the Company or any other Designated Subsidiary is owed to such Designated Subsidiary and such Designated Subsidiary does not own any ownership interests in any other Designated Subsidiary;

- at the time of and after giving effect to the de-designation, an Event of Default or event that, with the passing of time or the giving of notice or both, would constitute an Event of Default has occurred and is continuing; or

- if, after giving effect to such de-designation, the Company would not be entitled to issue Funded Indebtedness in the principal amount of at least $1.00.

Mergers, Consolidations and Sales of Assets

The Company will not, directly or indirectly through a Designated Subsidiary, enter into a transaction or series of related transactions in which all or substantially all of the undertaking, property and assets of the Company and its Designated Subsidiaries on a consolidated basis would become the property of any person (other than the Company and/or its Designated Subsidiaries), whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, lease or otherwise (provided that, for clarity, the assets and liabilities of any Financing Entity shall not be considered for purposes of such consolidation), unless:

- the Company shall be the surviving person, or the person, if other than the Company, formed by the amalgamation, consolidation or into which the Company is merged or that acquires all or substantially all of the property or assets of the Company and its Designated Subsidiaries, shall be a person organized and validly existing under the federal laws of Canada or any of its provinces or territories and shall expressly assume, by a supplemental indenture executed and delivered to the Trustee in form satisfactory to the Trustee, all of the Company's obligations under the Trust Indenture and all Notes;

- at the time of and immediately after giving effect to the transaction or series of related transactions, no Event of Default (as defined below) or event that, with the passing of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and is continuing;

- neither the Company nor the person, if other than the Company, formed by the amalgamation, consolidation or into which the Company is merged or that acquires all or substantially all of the property or assets of the Company and its Designated Subsidiaries, either at the time of or immediately after the consummation of any such transaction or series of related transactions and after giving full effect thereto, or immediately after compliance with the foregoing provisions, will be insolvent or generally fail to meet, or admit in writing its inability or unwillingness to meet, its obligations as they generally become due; and

- the Company shall have delivered to the Trustee an opinion of the Company's counsel (as to matters customarily addressed by counsel) and an officers' certificate stating that the foregoing conditions precedent have been satisfied,

provided that the foregoing shall, to the extent they would otherwise have applied, not in any way limit or prevent the Company and/or its Designated Subsidiaries from entering into, and the Company and/or its Designated Subsidiaries shall be entitled to enter into, any transaction or series of related transactions which result in either or both of the following:

(1) All or substantially all of the hydro-electric generating stations and related assets of the Company and its Designated Subsidiaries becoming the property of any other person (a "successor"), whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, lease or otherwise, provided that:

(a) the successor is a person formed or organized and existing under the laws of Canada or a province or territory thereof and expressly assumes, by a supplemental indenture satisfactory in form to the Trustee and its counsel and executed and delivered to the Trustee, all of the covenants and obligations of the Company under the Trust Indenture and all Notes;

(b) after giving effect to the transaction or series of related transactions (x) the credit rating obtained by the successor from at least two of the designated rating agencies is not below the credit rating of the Company from such designated rating agencies prior to the transaction or series of related transactions, and (y) Consolidated Funded Indebtedness of the successor and its Designated Subsidiaries would not exceed 75% of Total Consolidated Capitalization for the successor and its Designated Subsidiaries;

(c) at the time of and, immediately after giving effect to the transaction or series of related transactions, no Event of Default or event that, with the passing of time or the giving of notice or both, would constitute an Event of Default has occurred and is continuing;

(d) the liabilities of the Company assumed by the successor do not include any liabilities of the Company related to decommissioning of OPG's nuclear generating stations, used nuclear fuel waste management or other nuclear waste management;

(e) neither the Company nor the successor, either at the time of or immediately after the consummation of any transaction or series of related transactions and after giving full effect thereto, or immediately after compliance by the person with the foregoing provisions, will be insolvent or generally fail to meet, or admit in writing its inability or unwillingness to meet, its obligations as they generally become due; and

(f) the Company shall have delivered to the Trustee an opinion of the Company's counsel (as to matters customarily addressed by counsel) and a officers' certificate stating that the foregoing conditions precedent have been satisfied.

For greater certainty, as part of such transaction or series of related transactions, the Company and its Designated Subsidiaries shall have the right, at their discretion, to either retain or transfer to the successor any non-nuclear generation assets or non-hydro-electric generation assets of the Company and its Designated Subsidiaries.

Following completion of such transaction or series of related transactions, and compliance with the foregoing conditions, the Company and its Designated Subsidiaries shall be released of all obligations under the Trust Indenture and all Notes.

(2) All or substantially all of the assets related to the (w) Darlington Nuclear Generating Station, and/or (x) the Pickering Nuclear Generating Stations and/or (y) the Bruce Nuclear Generating Stations, and/or (z) used nuclear fuel waste management and/or other nuclear waste management and/or decommissioning, in each case which are owned by the Company or its Designated Subsidiaries becoming the property of any other person or persons (each, a "NuclearCo"), whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, lease or otherwise, provided that:

(a) after giving effect to the transaction or series of related transactions Consolidated Funded Indebtedness of the Company and its Designated Subsidiaries would not exceed 75% of Total Consolidated Capitalization of the Company and its Designated Subsidiaries;

(b) after giving effect to the transaction or series of related transactions, the credit rating of the Company from at least two of the designated rating agencies is not below the credit rating of the Company from such designated rating agencies prior to the transaction or series of related transactions;

(c) at the time of and, immediately after giving effect to the transaction or series of related transactions, no Event of Default or event that, with the passing of time or the giving of notice or both, would constitute an Event of Default has occurred and is continuing;

(d) the Company will not, either at the time of or immediately after the consummation of any such transaction or series of related transactions and after giving full effect thereto, or immediately after compliance with the foregoing provisions, be insolvent or generally fail to meet, or admit in writing its inability or unwillingness to meet, its obligations as they generally become due;

(e) if an asset disposition as described in paragraph (2)(w), paragraph (2)(x) or paragraph (2)(y) above occurs or will occur, the contractual terms in relation to such transaction or series of related transactions shall include contractual terms relating to the payment by the applicable NuclearCo (or its affiliate or successors) of costs related to decommissioning of the applicable nuclear generating station and management of used nuclear fuel and other nuclear waste arising from the operation of the applicable nuclear generating station, with the amount and timing of such payments by the applicable NuclearCo to be determined by the Company, acting reasonably, having regard to the expected amount and timing of such costs arising in relation to the period following the completion of the applicable transaction (or series of related transactions), the amount of funds that have already been set aside to pay for such costs (whether pursuant to the Ontario Nuclear Funds Agreement or otherwise), and the Company's ability to otherwise collect amounts to pay for such costs; and

(f) the Company shall have delivered to the Trustee an opinion of the Company's counsel (as to matters customarily addressed by counsel) and an officers' certificate stating that the foregoing conditions precedent have been satisfied.

For greater certainty, (i) as part of such transaction or series of related transactions, the Company and its Designated Subsidiaries shall have the right, at their discretion, to either retain or transfer to any NuclearCo any non-nuclear generation assets or non-hydro-electric generation assets of the Company and its Designated Subsidiaries and (ii) so long as the foregoing conditions are complied with, no NuclearCo shall have any obligations under the Trust Indenture or any of the Notes.

Events of Default

The following are Events of Default applicable to all Notes issued pursuant to the Trust Indenture, including the Notes:

(1) failure to pay principal or premium, if any, when due and any such failure continues for a period of five days

(2) failure to make payment of interest when due and any such failure continues for a period of 45 days;

(3) the consummation by the Company of a transaction or series of related transactions, either directly or indirectly through a Designated Subsidiary, in which all or substantially all of the undertaking, property and assets of the Company and its Designated Subsidiaries on a consolidated basis would become the property of any other person (other than the Company and/or its Designated Subsidiaries), whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, lease or otherwise (provided that, for clarity, the assets and liabilities of any Financing Entity shall not be considered for purposes of such consolidation), other than as permitted by or in accordance with the provisions described above under "Mergers, Consolidations and Sales of Assets";

(4) failure to observe or perform any other covenant or condition contained in the Trust Indenture or a Supplemental Indenture if such failure continues for a period of 60 days or more after written notice thereof has been given to the Company by the Trustee or by the holders of at least 25% of all Notes, as the case may be;

(5) the Company or any Material Subsidiary (as defined below) fails to make payment at stated maturity, or otherwise when due, of principal, premium (if any) or interest due on any Indebtedness of the Company or a Material Subsidiary, the outstanding principal amount of which exceeds the greater of $150 million and 1% of the Consolidated Net Worth, beyond the applicable grace period, if any, under the terms of such Indebtedness;

(6) failure by the Company or any Material Subsidiary to observe or perform any provision of any agreement under which Indebtedness of the Company or a Material Subsidiary is created if such failure has the effect of causing more than the greater of $150 million and 1% of the Consolidated Net Worth of such Indebtedness in the aggregate to become due and payable or to be required to be redeemed or repurchased before its stated maturity;

(7) one or more final judgments are rendered against the Company or any Material Subsidiary in an aggregate amount in excess of the greater of $150 million and 1% of the Consolidated Net Worth by a court of competent jurisdiction and remain undischarged or unstayed for a period of 60 days or more;

(8) winding-up, liquidation or dissolution of the Company, or

(9) the making by the Company or any Material Subsidiary of an assignment for the benefit of its creditors or other specified events of bankruptcy or insolvency affecting the Company or any Material Subsidiary (subject to a 60 day cure period if the bankruptcy application is made by a creditor, rather than by the Company or a Material Subsidiary).

If an Event of Default applicable only to the issued and outstanding Notes of a series occurs and is continuing, either the Trustee or the holders of not less than 25% in principal amount of Notes of that series then outstanding may declare the principal of, and interest and premium, if any, on all Notes of that series to be due and payable immediately.

If, however, an Event of Default applicable to all Notes issued and outstanding under the Trust Indenture, or an Event of Default described in clause (5), (6), (7), (8) or (9) above occurs and is continuing, either the Trustee or the holders of not less than 25% in principal amount of all issued and outstanding Notes, treated as one class, may declare the principal amount of all the Notes then outstanding to be due and payable immediately.

Subject to the provisions of the Trust Indenture relating to the duties of the Trustee, in case an Event of Default applicable to any Notes shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Trust Indenture at the request or direction of any of the holders of those Notes, unless those holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, the holders of a majority in principal amount of Notes of all series affected by an Event of Default will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee in respect of the Notes of all series affected by that Event of Default.

Defeasance

The Trust Indenture requires the Trustee to release the Company from its obligations under the Trust Indenture relating to a particular series of Notes if specified conditions are satisfied. Among other things, the Company must deposit money or securities for the payment of all principal of and interest and any other amounts on that series of Notes as well as for the payment of the expenses of the Trustee. The deposited money or securities must be denominated in the currency in which principal of these Notes is payable and, in the case of deposited securities, must constitute direct obligations of Canada or specified provinces of Canada or an agency or instrumentality of Canada.

Amendments and Waivers

The Trust Indenture provides that the Company and the Trustee may enter into supplemental indentures ("Supplemental Indentures") without the consent of the holders of the Notes of any or all series to:

- add limitations or restrictions to be observed upon the amount or issue of Notes, provided that such limitations or restrictions shall not be materially adverse to the interests of the holders of the Notes;

- add covenants for the protection of the holders of the Notes of any series;

- provide for any additional Event of Default;

- make such provisions not inconsistent with the Trust Indenture as may be necessary or desirable with respect to matters or questions arising thereunder, including the making of any modifications in the form of the Notes which do not affect the substance thereof and which it may be expedient to make, provided that such provisions and modifications will not adversely affect the holders of Notes;

- provide for the issue of Notes of any one or more series and establish the form and terms of any series of Notes;

- evidence the succession, or successive successions, of successors to the Company and the covenants and obligations assumed by any such successor, in accordance with the provisions of the Trust Indenture; and

- giving effect to any extraordinary resolution or ordinary resolution of the holders of Notes in accordance with the Trust Indenture.

Other amendments and modifications of the Trust Indenture, Supplemental Indentures and Notes may be made by the Company and the Trustee with the consent of the holders of not less than 66⅔% (and in certain circumstances, a majority) in principal amount of Notes of all series voting on such amendment or modification and, if the rights of holders of Notes of a particular series of Notes would be affected differently than rights of holders of Notes of other series, not less than 66⅔% (and, in certain circumstances, a majority) in principal amount of Notes of the series so affected by that modification or amendment voting on such amendment or modification, in each case, voting as one class. However, no modification or amendment may, without the consent of the holder of each outstanding Note of the affected series,

- reduce the principal amount at maturity of, extend the fixed maturity of, or alter the redemption provisions of, those Notes;

- change the currency in which those Notes or any premium or accrued interest is payable;

- reduce the percentage in principal amount at maturity outstanding of those Notes that must consent to an amendment, supplement or waiver or consent to take any action under the Trust Indenture, Supplemental Indenture or those Notes;

- impair the right to institute suit for the enforcement of any payment on or with respect to those Notes;

- waive a default in payment with respect to those Notes;

- reduce the rate or extend the time for payment of interest on those Notes;

- affect the ranking of those Notes in a manner adverse to the holders; or

- make any changes to the Trust Indenture, Supplemental Indentures or those Notes that would result in the Company being required to make any withholding or deduction from payments made under or with respect to those Notes.

The holders of $66^{2}/_{3}$% in principal amount of the Notes of all series with respect to which an Event of Default shall have occurred and be continuing, voting as one class, may waive any Event of Default, except in the case of a default in payment of principal with respect to the Notes or except,

further, in respect of a covenant or provision which cannot be modified or amended without the consent of the holder of each outstanding Note affected.

Limitations Regarding Fair Hydro Plan Financing Entities

All assets and liabilities held by any Financing Entity , as well as the Financing Entities, shall be disregarded in the determination of Consolidated Funded Indebtedness, Consolidated Net Worth and Total Consolidated Capitalization, and will not be considered Designated Subsidiaries or Material Subsidiaries under the Trust Indenture (notwithstanding the consolidation of such Financing Entities in OPG's financial statements). None of OPG, its subsidiaries, the Trustee or any holder of Notes shall have any recourse whatsoever against any Financing Entity or the assets of any Financing Entity, provided that, for clarity, the foregoing will not affect any of the Company's or its subsidiaries' rights and remedies as a holder of Indebtedness of a Financing Entity in accordance with the provisions of that Indebtedness. Neither the Company nor any Designated Subsidiary may guarantee or have any other Contingent Liabilities in respect of Indebtedness of any Financing Entity to the extent the amount of such guarantees and other Contingent Liabilities in respect of Indebtedness of any Financing Entity exceeds $50,000,000 (the amount of such guarantees and other Contingent Liabilities in respect of Indebtedness of any Financing Entity below such threshold being the "Permitted FHPA Debt"). Other than the Permitted FHPA Debt and holding Indebtedness of Financing Entities, neither the Company nor any Designated Subsidiary will have any Contingent Liabilities in respect of Indebtedness of any Financing Entity.

Definitions

In addition to the definitions set out above, the Trust Indenture contains definitions substantially to the following effect:

"Applicable Law" means all laws, statutes, by-laws, rules, regulations, principles of law and equity, orders, ordinances, legally binding codes, guidelines, standards and policies and other similar requirements, whether international, multinational, national, federal, provincial, state, county, municipal, local or other domestic or foreign, and the terms and conditions of any approval, permit, authorization, registration, certificate, franchise or licence, in each case of any Governmental Authority;

"Capital Lease Obligation" means any monetary obligation of the Company or a Designated Subsidiary under any leasing or similar arrangement which, in accordance with GAAP, would be classified as a capital lease and for the purposes of the Trust Indenture, the amount of Capital Lease Obligations shall be the capitalized amount thereof, determined in accordance with GAAP;

"Consolidated Funded Indebtedness" means, at any time and from time to time, the aggregate amount of all Funded Indebtedness of the Company and its Designated Subsidiaries determined as at such time on a consolidated basis in accordance with GAAP. For greater certainty, the Funded Indebtedness of the Financing Entities (with the exception of any outstanding Permitted FHPA Debt as at that date) shall not be included in determining "Consolidated Funded Indebtedness";

"Consolidated Net Worth" means, at any time and from time to time, the consolidated shareholders' equity of the Company and its Designated Subsidiaries as at such time determined in accordance with GAAP. For greater certainty, (i) the shareholders' equity of any subsidiary that is not a Designated Subsidiary and (ii) the shareholders' equity, if any, of the Financing Entities shall not be included in determining "Consolidated Net Worth";

"Contingent Liability" means any agreement, undertaking or arrangement by which any person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement,

contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the obligations of any other person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other person. The amount of any person's obligation under any Contingent Liability will, subject to any limitation contained in that Contingent Liability, be deemed to be the outstanding principal amount (or maximum principal amount, if larger) of the obligation guaranteed thereby;

"Designated Subsidiary" means any subsidiary which is designated as such by the Company in accordance with the covenants described under " – Designation of Subsidiaries as Designated Subsidiaries" until such designation is terminated in accordance with the terms described under " – Designation of Subsidiaries as Designated Subsidiaries";

"Financial Instrument Obligations" means, with respect to any person at any time, the obligations of such person under any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, commodity future, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing to the extent of the net amount due to or accruing due by the person thereunder (determined by marking the same to market at such time in accordance with its terms);

"Funded Indebtedness" means with respect to any person and as at any time and from time to time, all Indebtedness created, assumed or guaranteed as at such time by such person which matures by its terms on, or is renewable at the option of such person to, a date more than 18 months after the date of the original creation, assumption or guarantee thereof; provided that any Indebtedness among the Company and its Designated Subsidiaries or among the Company's Designated Subsidiaries, Subordinated Indebtedness, Non-Recourse Debt, Financial Instrument Obligations, Capital Lease Obligations and Purchase Money Obligations shall not be included as Funded Indebtedness. For greater certainty, no Indebtedness created, assumed or guaranteed by a Financing Entity shall be included as Funded Indebtedness of the Company or any Designated Subsidiary (except and only to the extent of any outstanding Permitted FHPA Debt as at such time);

"GAAP" means as at any date of determination:

(1) accounting principles which are recognized as being generally accepted in Canada, if the Company is then preparing its financial statements in accordance with such principles; or

(2) accounting principles which are recognized as being generally accepted in the United States, if the Company is then preparing its financial statements in accordance with such principles;

"Governmental Authority" means any international, multinational, federal, provincial, state, territorial, regional, municipal or local government, any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumental authority, body, agency, department bureau, board, tribunal or entity, or any arbitrator with authority to bind a person at law;

"Indebtedness" means, with respect to any person, without duplication:

(1) all obligations of such person for borrowed money, including obligations with respect to bankers' acceptances and reimbursement obligations in respect of letters of credit;

(2) all obligations issued or assumed by such person in connection with its acquisition of property in respect of the deferred purchase price of that property where such purchase price is deferred six months or longer;

(3) all Capital Lease Obligations and Purchase Money Obligations of such person; and

(4) all Contingent Liabilities of such person in respect of obligations of any person of the type referred to above;

"Material Subsidiary" means, as at any date, a Designated Subsidiary,

(1) the total assets of which represent more than 5% of the total assets of the Company determined on a consolidated basis as shown in the most recent quarterly or annual consolidated financial statements of the Company publicly released or filed with the Trustee; or

(2) the total revenues of which represent more than 5% of the total revenues of the Company determined on a consolidated basis as shown in the most recent quarterly or annual consolidated financial statements of the Company publicly released or filed with the Trustee;

provided that, for greater certainty, (i) the assets and revenues of a subsidiary that is not a Designated Subsidiary, and (ii) the assets and revenues of a Financing Entity shall not, in either case, be included in determining whether a Designated Subsidiary is a "Material Subsidiary"; and provided further that no Financing Entity shall be a Material Subsidiary;

"*Non-Recourse Debt*" means, with respect to a person, any Indebtedness incurred to finance the creation, development, construction, operation or acquisition of an asset of the person or a subsidiary of the person (and any extensions, renewals or refunding of any such Indebtedness) provided that the recourse of the obligee thereof against the person is limited in all circumstances (other than customary exceptions for negligent misrepresentation, fraud and other bad acts) to the asset (including all rights and benefits related to or arising out of the asset) and to the Company's or a Designated Subsidiary's equity or debt interest in, such subsidiary;

"*Ontario Nuclear Funds Agreement*" means the agreement dated as of April 1, 1999 entered into between the Company, certain of its subsidiaries and the Province of Ontario under which, among other things, (i) the parties agree to cause sufficient funds to be accumulated or otherwise be readily available to pay for certain used nuclear fuel and other nuclear waste management and decommissioning costs, (ii) the Province of Ontario agrees to limit the liability that the Company and certain of its subsidiaries face as a result of the increases in certain used nuclear fuel management costs, and (iii) the Province of Ontario agrees to provide certain financial guarantees required by the Company and certain of its subsidiaries under the *Nuclear Safety and Control Act* (Canada), all on and subject to the terms and conditions in that agreement, as amended, supplemented, restated and/or replaced from time to time;

"Purchase Money Mortgage" means any Security Interest, mortgage, pledge, charge or other encumbrance created, issued or assumed by the Company or a Designated Subsidiary to secure a Purchase Money Obligation; provided that the Security Interest, mortgage, pledge, charge or other encumbrance is limited to the property (including associated rights) acquired, constructed, installed or improved using the funds advanced to the Company or a Designated Subsidiary in connection with that Purchase Money Obligation;

"Purchase Money Obligation" means Indebtedness of the Company or a Designated Subsidiary incurred or assumed to finance the purchase price, in whole or in part, of any property (except any Indebtedness which constitutes Funded Indebtedness and which was incurred or assumed to finance the purchase price, in whole or in part, of any shares, bonds or other securities) or incurred to finance the cost, in whole or in part, of construction or installation of or improvements to any real property or fixtures provided that such Indebtedness is incurred or assumed within 24 months after the purchase of such real property or fixtures or the completion of such construction, installation or improvements, as the case may be, and includes any extension, renewal or refunding of any such Indebtedness, so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not increased;

"Security Interest" means any assignment, mortgage, charge (whether fixed or floating), hypothec, security interest, pledge, lien, or other encumbrance on or interest in property or assets that secures payment or performance of Indebtedness;

"*Subordinated Indebtedness*" means all Indebtedness of the Company in respect of which, upon any distribution of assets of the Company upon any dissolution, winding-up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Company or otherwise), the payment of all Indebtedness and liabilities of the Company in connection with the Notes, including principal, interest, fees and expenses, must be satisfied in full prior to any amount being applied to such Indebtedness;

"Total Consolidated Capitalization" means, at any time and from time to time, without duplication, the sum of (a) the principal amount of all Consolidated Funded Indebtedness; (b) the principal amount of all Subordinated Indebtedness; and (c) the Consolidated Net Worth, in each case, as at such time and as determined by the Company; and

"Wholly-Owned Designated Subsidiary" means a Designated Subsidiary, all of the outstanding shares or other ownership interests in the capital of which are owned, directly or indirectly, by or for the Company and/or by or for one or more other Wholly-Owned Designated Subsidiaries.

Global Notes

Notes may be issued in the form of fully registered global notes ("Global Notes") held by, or on behalf of, CDS Clearing and Depository Services Inc. ("CDS") or another corporation performing similar services that is acceptable to the Trustee (the "Depository") as custodian of the Global Notes and, in such event, Notes will be registered in the name of the Depository or its nominee (a "Nominee"). Where CDS acts as Depository for a series of Notes, The Depositary Trust Company ("DTC"), Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), in each case as direct or indirect participants in CDS, will record beneficial ownership of such series of Notes on behalf of their respective accountholders or participants, to the extent the Company makes such series of Notes eligible with DTC, Euroclear or Clearstream, Luxembourg, as applicable (and the Company specifies as such in the prospectus supplement or pricing supplement with respect to the particular series of Notes).

Purchasers of Notes represented by Global Notes will not receive Notes in definitive form ("Definitive Notes"). Instead, ownership of such Notes will be constituted through beneficial interests in the Global Notes, and will be represented through book-entry accounts of institutions (including the Dealers), as direct and indirect participants of the Depository ("participants") which, to the extent the Depository is CDS, may include DTC, Euroclear and Clearstream, Luxembourg to the extent applicable as noted above, acting on behalf of the beneficial owners of such Notes. Each purchaser of a Note

represented by a Global Note will receive a customer confirmation of purchase from the Dealer or other person from or through whom the Note is purchased in accordance with the practices and procedures of such Dealer or other person. The Depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Notes.

If Global Note(s) are issued and the Depository notifies the Company that it is unwilling or unable to continue as depository in connection with the Global Notes, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be depository and the Company and the Trustee are unable to locate a qualified replacement, or if the Company elects to terminate the book-entry system, beneficial owners of Notes represented by Global Notes will receive Definitive Notes.

DTC, Euroclear and Clearstream, Luxembourg

Where CDS acts as Depository for a series of Notes, to the extent the Company makes such series of Notes eligible with DTC, Euroclear or Clearstream, Luxembourg (and the Company specifies as such in the prospectus supplement or pricing supplement with respect to such series of Notes), holders may hold such series of Notes through the accounts maintained by DTC, Euroclear or Clearstream, Luxembourg, as applicable, as participants in CDS only if they are participants of those systems, or indirectly through organizations which are participants of those systems.

In such case, DTC, Euroclear and Clearstream, Luxembourg will hold omnibus book-entry positions on behalf of their participants through customers' securities accounts in their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of CDS. All securities in DTC, Euroclear and Clearstream, Luxembourg are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of such Notes by persons holding through Euroclear or Clearstream, Luxembourg participants, as applicable, will be effected through CDS, in accordance with CDS rules, on behalf of the relevant European international clearing system by its depositaries; however, such transactions will require delivery of transfer instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transfer meets its requirements, deliver instructions to its depositaries to take action to effect the transfer of the Notes on its behalf by delivering Notes through CDS and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Notes held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures, to the extent received by its depositaries.

All information in this short form prospectus concerning CDS, DTC, Euroclear and Clearstream, Luxembourg, reflects the Company's understanding of the policies of such organizations which may change at any time without notice.

Fixed Rate Notes

Each Fixed Rate Note will bear interest from its original issue date at the rate per annum on the face thereof until the principal amount thereof is paid or made available for payment. Interest on a Fixed Rate Note will be calculated and payable monthly, quarterly, semi-annually or annually in arrears on the dates specified in such Fixed Rate Note, or other such dates as may be agreed to between the purchaser of the Note and the Company (each, an "Interest Payment Date") and at maturity or upon earlier redemption

or repayment. Interest Payment Dates will be set forth in the applicable prospectus supplement or pricing supplement for the Fixed Rate Note. Each payment of interest in respect of an Interest Payment Date will include interest accrued to but excluding such Interest Payment Date.

Floating Rate Notes

Each Floating Rate Note will bear interest from its original issue date at rates described in the Floating Rate Note and specified in the applicable prospectus supplement or pricing supplement.

The rate of interest on each Floating Rate Note will be reset monthly, quarterly, or as otherwise specified in the Floating Rate Note and applicable prospectus supplement or pricing supplement. Interest on each Floating Rate Note will be payable monthly, quarterly or as otherwise specified in the Floating Rate Note and applicable prospectus supplement or pricing supplement. Unless otherwise specified in the Floating Rate Note and applicable prospectus supplement or pricing supplement, the Company will be the calculation agent with respect to the Floating Rate Notes. Upon request of the holder of any Floating Rate Note, the Company will provide the interest rate then in effect.

Payment of Interest and Principal

Interest on each interest bearing Note will be payable on such periodic basis or at maturity and on such date or dates as may be agreed upon by the Company and the purchaser of the Note. Payments of interest on each interest bearing Definitive Note will be made by cheque payable on the interest payment date and mailed to the address of, or if so directed by the holder, funds representing the interest payable will be forwarded by electronic funds transfer on the interest payment date to the account of, the holder appearing on the registers maintained by BNY Trust Company of Canada, as registrar and transfer agent (the "Transfer Agent", which term shall include such other registrar or transfer agent as may from time to time be appointed by the Company) at the close of business in the City of Toronto on the tenth business day (with "business day" being a day other than Saturday, Sunday, or a day on which financial institutions in Toronto, Ontario are authorized or obligated by law or regulation to close) prior to the interest payment date or such other day specified to the Trustee by the Company and reflected in a Supplemental Indenture for a particular series of Notes. Payment of principal will be made at any branch in Canada of the bank designated in a Definitive Note against surrender of the Note.

Payment of interest and principal on each Global Note will be made to the Depository or the Nominee, as the case may be, as the registered holder of the Global Note. Interest payments on Global Notes will be made by wire transfer no later than the date interest is payable. Principal payments on Global Notes will be made by wire transfer on the maturity date delivered to the Depository or the Nominee, as the case may be, at maturity against receipt of the Global Note. As long as the Depository or the Nominee is the registered owner of a Global Note, the Depository or the Nominee, as the case may be, will be considered the sole owner of the Global Note for the purposes of receiving payment on the Note and for all other purposes under the Trust Indenture and the Note.

The Company expects that the Depository or Nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of the Depository or the Nominee. The Company also expects that such payments of principal and interest by participants to the owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participants. The responsibility and liability of the Company and the Trustee in respect of Notes represented by Global Notes is limited to

making payment of any principal and interest due on such Global Notes to the Depository or the Nominee.

Payments of interest and principal will be made in the currency in which the Note is denominated unless otherwise specified in the applicable prospectus supplement or pricing supplement.

If the payment date for any amount of principal or interest on any Note is not, at the place of payment, a business day such payment will be made on the next business day and the holder of such Note shall not be entitled to any further interest or other payment in respect of such delay.

Transfers

The registered holder of a Definitive Note may transfer such Note upon payment of taxes incidental thereto, if any, by executing the form of transfer provided on the reverse side of the Note and surrendering the Note to the Transfer Agent at its principal office in the City of Toronto, upon which one or more new Definitive Notes will be issued in authorized denominations in the same aggregate principal amount as the Note so transferred, registered in the name or names of the transferee or transferees.

Transfers of beneficial ownership in Notes represented by Global Notes will be effected through records maintained by the Depository for such Global Notes or the Nominee (with respect to the interest of participants) and on the records of participants (with respect to the interest of beneficial owners other than participants). Beneficial owners of an interest in a Note represented by a Global Note who are not participants in the Depository's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Global Notes, may do so only through participants in the Depository's book-entry system. A purchaser's interest in a Note represented by a Global Note will only be exchangeable for Definitive Notes in the limited circumstances set forth under the heading "Global Notes" above and in accordance with the procedures established by the Depository or the Nominee.

The ability of a beneficial owner of an interest in a Note represented by a Global Note to pledge the Note or otherwise take action with respect to such owner's interest therein other than through a participant may be limited due to the lack of a physical certificate.

No transfer of a Note will be registered during the 10 business days immediately preceding any date fixed for payment of interest on such Note or payment of the principal amount thereof.

PLAN OF DISTRIBUTION

Pursuant to the terms of a dealer agreement dated ■, 2017 (the "Dealer Agreement"), the Notes may be offered for sale severally and on a continuous basis by one or more of the Dealers, in each case, acting as agent of the Company or as principal. Where the Notes are offered by the Dealer(s) as agent(s), the commissions payable by the Company in connection with sales of such Notes shall be agreed from time to time between the Company and any such Dealer(s). Where the Notes are purchased by the Dealer(s) as principal, the Notes shall be purchased at such prices and with such commissions as may be agreed from time to time between the Company and any such Dealer(s) for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will increase or decrease by the amount by which the aggregate price paid for Notes by purchasers exceeds or is less than the price paid by the Dealer, when purchasing as principal, to the Company. The commissions payable in connection with sales of Notes will be set forth in a prospectus supplement or pricing supplement which will be delivered to purchasers together with this prospectus. The Company may also offer the Notes directly to potential purchasers

pursuant to applicable statutory exemptions at prices and upon terms negotiated between the purchaser and the Company, in which case no commissions will be paid to the Dealers.

The obligations of a Dealer under the Dealer Agreement to purchase any particular issue of Notes as principal may be terminated at its discretion upon the occurrence of certain stated events. Such events are set out in detail in the Dealer Agreement and include, but are not limited to: (i) an event which prevents or restricts the trading in the Notes or any other securities of the Company or the distribution of the Notes; (ii) the occurrence of any material change in the business, affairs, operations, assets, liabilities (contingent or otherwise), capital or ownership of OPG taken as a whole; (iii) a public announcement by DBRS or S&P that it has placed under surveillance or review, with possible negative or uncertain implications, its rating of any debt securities of the Company; and (iv) certain downgrades of the ratings assigned by S&P and DBRS to the long-term debt securities of the Company. In addition, the Company has agreed under the terms of the Dealer Agreement to reimburse the Dealers for certain expenses and to indemnify the Dealers against certain liabilities.

The Company and, if applicable, the Dealers, may reject any offer to purchase the Notes in whole or in part. The Company also reserves the right to withdraw, cancel or modify the offering of the Notes under this prospectus without notice.

In connection with any offering of Notes, the Dealers may over-allot or effect transactions which stabilize or maintain the market price of the Notes offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. In addition, the Dealers may from time to time purchase and sell the Notes in the secondary market but are not obliged to do so. Unless otherwise indicated in a prospectus supplement or pricing supplement, there is no market through which Notes may be resold and purchasers may not be able to resell Notes purchased under this short form prospectus. There can be no assurance that there will be a secondary market for the Notes. The offering price and other terms for such sales in the secondary market may, from time to time, be varied by the Dealers.

The offering of Notes hereunder is directed only to residents of the provinces of Canada and in the United States in certain transactions exempt from the provisions of the United States Securities Act of 1933, as amended (the "Securities Act"). The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except to "qualified institutional buyers" in reliance upon Rule 144A under the Securities Act. In addition, until 40 days after the commencement of the offering of an issue of Notes, an offer or sale of that issue within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption under the Securities Act.

Certain of the Dealers may be subsidiaries or affiliates of lenders (the "Lenders") to the Company or its subsidiaries, now or in the future. Proceeds from the sale of particular series or issues of Notes in which such Dealers are acting as principals or Dealer may be used to repay indebtedness owing to one or more of the Lenders. Consequently, if and when there is outstanding indebtedness to any of the Lenders, the Company may be considered a connected issuer of those Dealers who are affiliates of such Lenders for purposes of the securities laws of certain Canadian provinces. The particulars of any such indebtedness will be included in a prospectus supplement or pricing supplement if applicable to any offering of Notes. The decision to distribute the Notes will be made by the Company and the terms and conditions of distribution will be determined through negotiations between the Company and the Dealers. The Lenders will not have any involvement in such decision or determination. Other than payment of their portion of the commissions, if applicable, or as set forth in the applicable prospectus supplement or

pricing supplement, none of the proceeds of such offerings of Notes will be applied, directly or indirectly, for the benefit of the Dealers or their affiliates. See "Use of Proceeds".

USE OF PROCEEDS

The net proceeds from the sale of Notes will be added to the general funds of the Company and, together with funding from other sources, including internally generated funds and other external financings, will be used to finance the Company's working capital requirements, to repay outstanding bank loans (which may include indebtedness owing to one or more of the Lenders), debentures, notes or other Indebtedness, to make advances to subsidiaries of the Company, to finance the Company's capital expenditure program, to make acquisitions and for other general corporate purposes. The Company expects that up to $300 million of the net proceeds from the sale of the Notes during the term of this prospectus may be used to finance a portion of the Company's debt investment in the Financing Entities. See "Recent Developments — Ontario Fair Hydro Plan". Where appropriate, a prospectus supplement or pricing supplement will contain more specific information about the use of proceeds from each sale of Notes. All expenses relating to an offering of Notes, including any compensation paid to the Dealers, will be paid out of the Company's general funds or netted out of the proceeds of the particular offering of Notes. The Company may from time to time issue debt instruments and incur additional Indebtedness otherwise than through the issue of Notes pursuant to this short form prospectus.

PRIOR SALES

The Company has not issued Notes or securities convertible or exchangeable into Notes prior to the date hereof.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

General

The following summary describes the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires Notes, including entitlement to all payments thereunder, as a beneficial owner pursuant to this short form prospectus and who, at all relevant times, for purposes of the application of the Tax Act, deals at arm's length with the Company and each Dealer and holds Notes as capital property (a "Holder"). Generally, Notes will be capital property to a purchaser provided the purchaser does not acquire or hold those Notes in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain purchasers resident in Canada may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act the effect of which may be to deem to be capital property any Notes (and all other "Canadian securities", as defined in the Tax Act) owned by such purchasers in the taxation year in which the election is made and in all subsequent taxation years. Purchasers whose Notes might not otherwise be considered to be capital property should consult their own tax advisors concerning this election.

This summary is based on the current provisions of the Tax Act and on an understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action nor

does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

Depending upon the terms of any offering of the Notes as set forth in an applicable prospectus supplement or pricing supplement, the Canadian federal income tax considerations applicable to a Holder of the Notes at the time of such offering may be different from those described below. Such considerations may be described more particularly when such Notes are offered (and then only to the extent material) in the prospectus supplement or pricing supplement related thereto. In the event the Canadian federal income tax considerations are described in such prospectus supplement or pricing supplement, the description below will be superseded by the description in the prospectus supplement or pricing supplement to the extent indicated therein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular purchaser. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers of Notes should consult their own tax advisors having regard to their own particular circumstances.

Currency Conversion

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Notes issued in a non-Canadian currency must be converted into Canadian dollars based on exchange rates as determined in accordance with the Tax Act. The amount of interest required to be included in the income of, and capital gains or capital losses realized by, a Holder may be affected by fluctuations in the applicable exchange rate.

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act, is, or is deemed to be, resident in Canada, is not affiliated with the Company or any Dealer and has not entered into and will not enter into, with respect to the Notes acquired by such Holder, a "derivative forward agreement" as defined in the Tax Act (a "Resident Holder").

This portion of the summary is not applicable to (i) a purchaser an interest in which is a "tax shelter investment", (ii) a purchaser that is, for purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions, a "financial institution", or (iii) a purchaser that reports its "Canadian tax results" in a currency other than Canadian currency, each as defined in the Tax Act. Such purchasers should consult their own tax advisors.

On July 18, 2017, the Minister of Finance (Canada) released a consultation paper that included an announcement of the Government's intention to amend the Tax Act to increase the amount of tax applicable to passive investment income earned through a private corporation. No specific amendments to the Tax Act were proposed in connection with this announcement. Resident Holders that are private Canadian corporations should consult their own tax advisors.

Taxation of Interest and other Amounts

A Resident Holder that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on a Note that accrues or is deemed to accrue to such Resident Holder to the end of that taxation year, or becomes receivable or is received by the Resident Holder before the end of such year, to the

extent that such interest was not included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual and a trust of which neither a partnership nor a corporation is a beneficiary, will be required to include in computing its income for a taxation year any interest on a Note that is received or receivable by such Resident Holder in that taxation year (depending on the method regularly followed by the Resident Holder in computing its income) to the extent that such interest was not included in computing the Resident Holder's income for a preceding taxation year. Such a Resident Holder may also be required to include in the Resident Holder's income, for any taxation year that includes an "anniversary day" (as defined in the Tax Act) of the Note, any interest, or amount that is considered for the purposes of the Tax Act to be interest, on the Note which accrues to the Resident Holder to the end of such day, to the extent that such interest was not otherwise included in computing the Resident Holder's income for the year or a preceding taxation year. For this purpose, an "anniversary day" means the day that is one year after the day immediately preceding the date of issue of a Note, the day that occurs at every successive one year interval from that day and the day on which a Note is disposed of.

Where a Resident Holder is required to include an amount on account of interest on a Note that accrued in respect of the period prior to its date of acquisition, the Resident Holder will be entitled to a deduction in computing income of an equivalent amount. The adjusted cost base to the Resident Holder of the Note will be reduced by the amount which is so deducted.

Any amount paid by the Company to a Resident Holder as a premium, penalty or bonus because of early repayment of all or part of the principal amount of a Note before its maturity will be deemed to be received by the Resident Holder as interest on the Note at that time and will be required to be included in computing the Resident Holder's income as described above, to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that, but for the repayment, would have been paid or payable by the Company on the Note for a taxation year of the Company ending after that time.

If the Notes are issued at a discount from their face value, a Resident Holder may be required to include an additional amount in computing its income, either in taxation years in which such amount accrues or in a taxation year in which the discount is received or receivable by the Resident Holder. Resident Holders should consult their own tax advisors in these circumstances as the treatment of the discount may vary with the facts and circumstances giving rise to the discount.

Disposition of Notes

On a disposition or deemed disposition of a Note, including a redemption, repayment prior to or on maturity or repurchase, a Resident Holder will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of interest that has accrued, or that has been deemed to have accrued, on the Note to that time except to the extent that such amount has otherwise been included in the Resident Holder's income for the year or a preceding taxation year.

Generally, on a disposition or deemed disposition of a Note, including a redemption, payment on maturity or purchase for cancellation, a Resident Holder will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the Resident Holder's income as interest (as described above) and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the Note immediately before the disposition or deemed disposition. Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized in the year.

Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Resident Holder in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

Additional Refundable Tax

A Resident Holder that is, throughout its taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act), including amounts in respect of taxable capital gains and interest.

Alternative Minimum Tax

Individuals (other than certain trusts) may be subject to an alternative minimum tax under the Tax Act in respect of net capital gains realized by them.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act (1) is not, and is not deemed to be, resident in Canada, and (2) does not use or hold the Notes in a business carried on or deemed to be carried on in Canada (a "Non-Resident Holder"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer that carries on an insurance business in Canada and elsewhere or is an "authorized foreign bank" as defined in the Tax Act.

This portion of the summary is not applicable to a Non-Resident Holder that is a "specified shareholder" (as defined in subsection 18(5) the Tax Act) of the Company or that does not deal at arm's length for purposes of the Tax Act with a "specified shareholder" of the Company. Generally, for this purpose, a "specified shareholder" is a shareholder that owns or is deemed to own, either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act, shares of the Company's capital stock that either (i) give such shareholders 25% or more of the votes that could be cast at an annual meeting of the shareholders or (ii) have a fair market value of 25% or more of the fair market value of all of the issued and outstanding shares of the Company's capital stock. Such Non-Resident Holders should consult their own tax advisors.

No Canadian withholding tax will apply to interest, principal or premium paid or credited to a Non-Resident Holder by the Company on a Note or to the proceeds received by a Non-Resident Holder on the disposition of a Note including a redemption, repayment prior to or on maturity or repurchase, unless all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class or series of shares of the capital stock of a corporation (the "Participating Debt Interest"). The interest on Fixed Rate Notes, and on Floating Rate Notes in respect of which the payment of interest is determined by reference to published rates of a central banking authority or one or more financial institutions, or to recognized market benchmark interest rates or to interest rates on Government of Canada bonds is not Participating Debt Interest and, as such, no Canadian withholding tax will apply to interest paid or credited or deemed to be paid or credited on such Notes.

Generally, no other Canadian federal taxes on income or gains will be payable by a Non-Resident Holder on interest, principal or premium paid or credited to a Non-Resident Holder by the Company on a Note or on the proceeds received by a Non-Resident Holder on the disposition of a Note including a redemption, repayment prior to or on maturity or repurchase.

RISK FACTORS

In addition to the other information contained and incorporated by reference in this short form prospectus, a purchaser should consult its own financial and legal advisors and should carefully consider the following risk factors before investing in the Notes. Notes will not be an appropriate investment for a purchaser if the purchaser does not understand the terms of the Notes or financial matters in general. A purchaser should not purchase Notes unless the purchaser understands, and can bear, all of the investment risks involving the Notes. For a discussion of the risks to which the Company's business and industry are subject, please see the section entitled "Risk Factors" in the Company's annual information form, and the section entitled "Risk Management" in the Company's annual MD&A. In addition to those risks, an investment in the Notes is subject to the following additional risks:

Rank of Notes and Corporate Structure

The Notes will be direct unsecured obligations of the Company and will rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Company from time to time outstanding, including, but not limited to, indebtedness of the Company under its $1 billion bank credit facility provided by a syndicate of lenders, an aggregate amount of approximately $3.3 billion senior notes payable to the Ontario Electricity Financial Corporation, and its $700 million general corporate credit facility provided by Ontario Electricity Financial Corporation, each as described in Notes 6 and 7 of the Company's financial statements as at and for the fiscal year ended December 31, 2016, its commercial paper program and Notes of every other series issued pursuant to the Trust Indenture. A default by the Company under the Trust Indenture will constitute an event of default under these credit facilities and Notes. There can be no assurance that sufficient funds would be available to the Company at the time of any such default to make any required payment under the Notes.

A significant portion of the Company's assets are owned on by its subsidiaries. The Company's ability to meet its financial obligations will depend, in part, upon the receipt of interest and principal, management fees, cash dividends and other payments from its subsidiaries, together with funds generated from the Company's operations and proceeds raised by the Company through the issuance of debt. The payment of dividends and the making of loans, advances and other payments to the Company by its subsidiaries may be subject to statutory or contractual restrictions, will depend on the earnings of the subsidiaries and will be subject to various business and other considerations.

The Company's subsidiaries are separate legal entities and have no legal obligation, contingent or otherwise, to pay any amount due under the Notes or to make any amounts available to the Company, whether by dividends, interest, loans or other payments. In addition, these subsidiaries have not guaranteed the Notes. Therefore, the Notes will be effectively subordinated to the current and future liabilities, including trade payables and other indebtedness, of the Company's subsidiaries. The creditors of those subsidiaries will have the right to be paid before payment on the Notes from any cash received or held by those subsidiaries. In the event of any bankruptcy, dissolution, liquidation or reorganization of one of those subsidiaries, following payment by the subsidiary of its liabilities, the subsidiary may not have sufficient assets to make payments to the Company in its capacity as an equity holder of such subsidiary.

There May Be No Trading Market for the Notes and if One Develops, the Notes May Be Subject to Trading Price Fluctuations

The Notes are new issues of securities for which, unless otherwise indicated in a prospectus supplement or pricing supplement, there is no existing trading market. The Company cannot predict whether any active trading market will develop for the Notes, even if the Notes are listed on a stock exchange.

Even if an active trading market develops for the Notes, the Notes could trade at prices that may be higher or lower than their initial offering prices, depending on many factors, including prevailing interest rates, the Company's results of operations and financial position, the ratings assigned to the Notes and the Company's other debt securities, and the markets for similar debt securities.

If a holder of Notes sells any Notes before their maturity, such holder may have to do so at a substantial discount from the issue price, and as a result such holder may suffer substantial losses.

Additional Debt Financing May be Required

The Company expects to borrow to repay the Notes when required to do so under the terms of the Notes and to fund capital expenditures. The Company's ability to arrange sufficient and cost-effective debt financing could be adversely affected by a number of factors, including financial market conditions, the regulatory environment in Ontario, the Company's results of operations and financial condition, the ratings assigned to the Company and its debt securities by credit rating agencies, the current timing of debt maturities and general economic conditions.

Shareholder Direction

The Province owns all of the Company's issued and outstanding common shares. Accordingly, the Province has the authority to make appointments to the Company's board of directors and is able to influence major corporate and business decisions. The Company is a party to a memorandum of agreement with the Province (the "MOA"), which serves as the basis of agreement between the Company and the Province regarding the Company's mandate, governance, performance and communications, and establishes accountabilities between OPG and the Province. OPG's strategic imperatives are based on the Company's mandate as set out in the MOA. In addition, the Province has in the past, and may from time to time, provide shareholder directives to the Company that can directly influence major decisions, including those related to project development, timing and strategy of applications for regulated prices, asset divestitures, financing and capital structure. Any such directives could require the Company to undertake activities that result in increased expenditures, that reduce revenues or cash flows or that increase the Company's financial or reputational risk exposure, relative to the business activities or strategies that would have otherwise been undertaken. Conflicts of interest may also arise between the Company and the Province as a result of the Province's broader governmental responsibilities and policy-making objectives (including energy regulatory and environmental matters and the Province's initiatives to mitigate the impact of rising electricity prices on consumers) and the Province's financial interests in dividend or proxy tax payments. There can be no assurance that any potential conflict of interest between the Company and the Province will be resolved on terms satisfactory to the Company, which could have an adverse effect on the Company and its business. Additional information concerning the Company's relationship with the Province is included in the AIF under the section "Interest of Management and Others in Material Transactions – Relationship with the Province and the OEFC".

Investors May Be Subject to the Risk of Exchange Rate Fluctuations

An investment in Notes that are denominated or payable in a currency other than the functional currency of the investor entails significant risks that are not associated with a similar investment in a security denominated in the functional currency of the investor. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the two currencies, the possibility of the imposition or modification of foreign exchange controls in respect of one or both of the currencies, and potential illiquidity in the secondary market. These risks generally depend on circumstances over which the Company has no control including political events, government policy and macroeconomic conditions. These risks will vary depending upon the currency or currencies involved and, where appropriate, will be more fully described in a prospectus supplement or pricing supplement.

In certain circumstances, investors may receive payments in currencies other than the currency in which the Notes are denominated. This may subject investors to exchange rate risk in respect of the conversion of principal and interest payments on the Notes from the currency in which the Notes are denominated to the currency of the payment which they receive, and they may also bear any costs of conversion incurred in connection therewith. For example, to the extent the Company makes a series of Notes eligible with DTC, investors who hold such Notes through DTC where CDS acts as Depository and who do not elect to receive principal and interest payments in Canadian dollars will be subject to exchange rate risk in respect of the conversion of Canadian dollar principal and interest payments to U.S. dollars, and will also bear any costs of conversion incurred in connection therewith.

The Notes will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. A judgment by a Canadian court relating to any Note may be awarded only in Canadian currency and such judgment may be based on a rate of exchange in existence on a day other than the day of payment.

This short form prospectus does not describe all the risks of an investment in the Notes denominated or payable in a currency other than an investor's functional currency, and prospective investors should consult their own financial and legal advisor as to the risks entailed with respect thereto. Notes denominated in currencies other than an investor's functional currency are not appropriate investments for investors who are unfamiliar with foreign currency transactions.

Changes in Interest Rates Will Affect the Market Price or Value of the Notes

Generally, the market price or value of the Notes will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline. Fluctuations in interest rates may also impact borrowing costs of the Company which may adversely affect its creditworthiness. It is impossible to predict whether interest rates will rise or fall.

Changes in Creditworthiness or Credit Ratings May Affect the Market Price or Value of the Notes

The perceived creditworthiness of the Company and changes in credit ratings of the Notes may affect the market price or value and the liquidity of the Notes. In addition, negative changes in the Company's credit rating may affect the credit ratings of the Notes.

Floating Rate Notes Are, By Their Nature, Uncertain

Investments in Floating Rate Notes entail risks not associated with investments in Fixed Rate Notes. The resetting of the applicable rate on a Floating Rate Note may result in a lower interest rate as compared to a Fixed Rate Note issued at the same time. The applicable rate on a Floating Rate Note will

fluctuate in accordance with fluctuations in the instrument or obligation or other measure on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Company has no control.

The Notes May Be Subject to Early Redemption

Depending on the terms of the Notes, the Company may have the right to redeem them, or the Notes may be automatically redeemable under some circumstances. If the Notes are redeemed, depending on the market conditions at the time of redemption, a holder of Notes may not be able to reinvest the redemption proceeds in a security with a comparable return.

LEGAL MATTERS

Certain legal matters in connection with any offering hereunder will be passed upon by Torys LLP for the Company and by Blake, Cassels & Graydon LLP for the Dealers. The partners and associates of Torys LLP and Blake, Cassels & Graydon LLP beneficially own, directly or indirectly, less than one percent of the securities of the Company or any associate or affiliate of the Company.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The external auditor of the Company is Ernst & Young LLP, Chartered Professional Accountants, located at 100 Adelaide Street West, PO Box 1, Toronto, Ontario M5H 0B3. Ernst & Young LLP has been the Company's auditors since OPG was formed in 1999, and is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Registers for the registration and transfer of the Notes issued in registered form are kept at the principal offices of the Transfer Agent in the City of Toronto.

PURCHASERS' STATUTORY AND CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AGENT FOR SERVICE OF PROCESS IN CANADA

William A. Coley, John Herron, Jim Reinsch and James Sheppard, directors of the Company, reside outside of Canada. Messrs. Coley, Herron, Reinsch and Sheppard have appointed Ontario Power Generation Inc., 700 University Avenue, Toronto, Ontario, M5G 1X6, Canada, as agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

CERTIFICATE OF ONTARIO POWER GENERATION INC.

Dated: September 1, 2017

This short form prospectus, together with the documents incorporated in this short form prospectus by reference, will, as of the date of the last supplement to this short form prospectus relating to the securities offered by this short form prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus and the supplement(s) as required by the securities legislation of all of the provinces of Canada.

(Signed) Jeffrey Lyash
President and Chief Executive Officer

(Signed) Ken Hartwick
Chief Financial Officer and Senior Vice President – Finance

On behalf of the Board of Directors:

(Signed) Bernard Lord
Director

(Signed) George Lewis
Director

CERTIFICATE OF DEALERS

Dated: September 1, 2017

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated in this short form prospectus by reference will, as of the date of the last supplement to this short form prospectus relating to the securities offered by this short form prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus and the supplement(s) as required by the securities legislation of all the provinces of Canada.

BMO Nesbitt Burns Inc.	**TD Securities Inc.**
By: (Signed) Laith Qamheiah	By: (Signed) Patrick Scace

Goldman Sachs Canada Inc.	**CIBC World Markets Inc.**	**Desjardins Securities Inc.**	**HSBC Securities (Canada) Inc.**
By: (Signed) Luke Gordon	By: (Signed) Scott Burrows	By: (Signed) Ryan Godfrey	By: (Signed) David Loh

Laurentian Bank Securities Inc.	**National Bank Financial Inc.**	**RBC Dominion Securities Inc.**	**Scotia Capital Inc.**
By: (Signed) Thomas Berky	By: (Signed) Tushar Kittur	By: (Signed) Robert M. Brown	By: (Signed) Greg Lawrence

From:	Ken Kandeepan
To:	Anna Strathy
Subject:	RE: Draft Fees Regulation
Date:	Thursday, September 28, 2017 2:12:47 PM

I actually discussed this with him last evening Anna and he was fully supportive of the email I sent out, so all is well.

Thanks

Ken k

From: Anna Strathy
Sent: Thursday, September 28, 2017 2:10 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Draft Fees Regulation

Any chance you had a moment to discuss this with Gadi today?

From: Anna Strathy
Sent: Wednesday, September 27, 2017 3:47 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Draft Fees Regulation

Hi All,

I briefed Gadi on our call discussion this morning – he's comfortable with the proposed approach of going back at 5, with the caveats that it is at the higher end of market norms and should be evaluated by an independent expert within the first year of the program.

That said, he was also under the impression that the number/fees had already been agreed to. Had something changed between a few weeks ago and now? I'm sure Ken/Mike could clarify tomorrow – feel free to pop by his office.

Thanks, Anna

From: Gadi Mayman
Sent: Tuesday, September 26, 2017 2:15 PM
To: Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>
Cc: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: Re: Draft Fees Regulation

Thanks, Scott. I understand that there are a few items in here that are a little different than

what we'd expected, so we'll get back to you with our consolidated OFA response tomorrow.

Regards,
Gadi

On Sep 26, 2017, at 12:18 PM, Nelms, Scott (MOF) <Scott.Nelms@ontario.ca> wrote:

> Hi Gadi,
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> Thanks for your help,
> Scott

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From:	Anna Strathy
To:	Ken Kandeepan
Subject:	RE: Draft Fees Regulation
Date:	Thursday, September 28, 2017 2:10:07 PM

Any chance you had a moment to discuss this with Gadi today?

From: Anna Strathy
Sent: Wednesday, September 27, 2017 3:47 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Draft Fees Regulation

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Subject: Re: Draft Fees Regulation

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Regards,
Gadi

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Thanks for your help,
Scott

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From:	Ken Kandeepan
To:	Scott Nelms (ENERGY)
Cc:	Steen Hume (CAB); Mike Manning; Ronald Kwan; Gadi Mayman; Carlos Yep; James Devine; John Kim; Anna Strathy
Subject:	RE: Draft Fees Regulation
Date:	Wednesday, September 27, 2017 4:48:04 PM

Hi Scott

As per Gadi's email yesterday, pls find below our consolidated comments. Pls feel free to contact Mike or me if you have any questions.
Base Fee:

10bps is high. We recommend a compromise of 5bps to be reviewed in a year. As background, market investment manager fees are 1-2bps for passive fixed income funds.

This is also consistent with the actual fees paid by OPG and Province to co-manage the nuclear fund's index fixed income funds. Note that the index funds require constant rebalancing by the investment manager.

OPG is receiving 44% equity investment from the Province at 0% cost and lending the funds as subordinated debt at a forecasted yield of around 5%, I.e. For each $2.5B of Global Asset X 44% equity injection would contribute, $55 million net revenue to OPG for each of the 10 years and would continue over repayment period albeit as a reduced amount as the Global Asset is paid down.

Variable Fee: We recommend going back to the original proposal of "… not more than plus/minus 1% … on the net annual funding obligation …"
That means deleting column 1 and item 2 of the table.

Pass through costs: Pass through costs as outlined in the draft regulations appear reasonable. As suggested in Scott's email including tighter language that prevents any OPG costs from being passed through makes sense. As further due diligence it may be advisable for the for the Financing Entity as part of its annual audit or as a separate assurance audit to have the external auditors opine whether the actual pass through costs of the Financing Entity in each fiscal year is in accordance with the regulations.

Thanks

Ken k

From: Gadi Mayman
Sent: Tuesday, September 26, 2017 2:15 PM
To: Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>
Cc: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>

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Scott

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From: Anna Strathy
To: Mike Manning; James Devine; Ken Kandeepan; Carlos Yep; John Kim
Subject: RE: Draft Fees Regulation
Date: Wednesday, September 27, 2017 3:47:11 PM

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To: Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>
Cc: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
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From: Anna Strathy
To: Gadi Mayman
Subject: RE: Draft Fees Regulation
Date: Tuesday, September 26, 2017 2:53:35 PM

You bcc'd me!

From: Gadi Mayman
Sent: Tuesday, September 26, 2017 2:45 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fwd: Draft Fees Regulation

Sorry, forgot to copy you as I was rushing to get this out before the Minister started to speak.

Begin forwarded message:

> **From:** "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>
> **Date:** September 26, 2017 at 2:23:36 PM EDT
> **To:** "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>
> **Cc:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>, "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>
> **Subject: RE: Draft Fees Regulation**
>
> Thanks Gadi
>
> ---
>
> **From:** Gadi Mayman [mailto:Gadi.Mayman@ofina.on.ca]
> **Sent:** September 26, 2017 2:15 PM
> **To:** Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
> **Cc:** Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>
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Thanks for your help,
Scott

<Blackline_24180663v1 - 24180663v3.pdf>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ken Kandeepan
To:	Gadi Mayman
Cc:	Anna Strathy; Ronald Kwan; Mike Manning
Subject:	RE: Draft Fees Regulation
Date:	Tuesday, September 26, 2017 2:10:32 PM

Not entirely, Mike is scheduling an internal meeting for most likely tomorrow so that we can provide consolidated comments.

Thanks

Ken K

From: Gadi Mayman
Sent: Tuesday, September 26, 2017 2:09 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fwd: Draft Fees Regulation

Are all of you OK with this? If you are, I'm fine, too, but I'm having trouble reading it with all of the markups and black lines.

Gadi

Begin forwarded message:

> **From:** "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>
> **Date:** September 26, 2017 at 12:18:07 PM EDT
> **To:** "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>
> **Cc:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Manning, Mike (OFA)" <Mike.Manning@ofina.on.ca>, "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>
> **Subject: Draft Fees Regulation**
>
> Hi Gadi,
>
> I hope NYC is going well and you are finding air conditioning.
>
> We have been working with Steen's team and Energy legal on a draft of the fees regulation for OPG Trust and OFHP. As we progress through this, there are some elements of the regulation that we were hoping you and the OFA team might be able to consider (please see attached a black line for your reference):
>
> - The draft reg outlines a base fee as well as a variable fee.
>   - The base fee is provided monthly at an annual rate of 10-basis points for the first two years (we had this initially set at one

year but Torys' markup changes this to two years). After 2019, the base fee is provided at an annual rate of 8 basis points should the funding obligations exceed $10B. Does this seem reasonable?

  - The variable fee structure seems consistent with previous discussions (5 basis point fee provided on the spread). Do you think this makes sense?
  - It would also be helpful if the OFA could let us know if the method for calculating the monthly funding obligation is reasonable.

- With respect to costs, our understanding is that these sorts of costs are typically a pass through; can the OFA confirm? The Torys markup removes OEB oversight on costs but we are wondering if there should be a role for the OFA in reviewing / providing oversight in this regard?
  - Also, do the costs they've outlined seem reasonable? In particular, LSB is wondering whether this leaves the door open for OPG to pass through any overhead costs (i.e. should we be explicit about excluding them)?
- On timing, the draft reg currently contemplates a fee application by OPG every two years regardless of what interest rates are in the market. Do we think this is fair or should the application occur annually? (Note that until new fees are established, the old fees are still in effect).

In terms of next steps, OPG would like to get a draft to their Board in time for the meeting on Friday. ENERGY LSB is hoping for comments by tomorrow. I don't think we need anything too detailed or formal, but a quick sniff test would be useful to ensure we are on the right track.

Thanks for your help,
Scott

From:	Anna Strathy
To:	Ken Kandeepan
Subject:	RE: Draft Fees Regulation
Date:	Thursday, September 28, 2017 2:13:12 PM

Wonderful, thank you.

From: Ken Kandeepan
Sent: Thursday, September 28, 2017 2:13 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Draft Fees Regulation

I actually discussed this with him last evening Anna and he was fully supportive of the email I sent out, so all is well.

Thanks

Ken k

From: Anna Strathy
Sent: Thursday, September 28, 2017 2:10 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Draft Fees Regulation

Any chance you had a moment to discuss this with Gadi today?

From: Anna Strathy
Sent: Wednesday, September 27, 2017 3:47 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Draft Fees Regulation

Hi All,

I briefed Gadi on our call discussion this morning – he's comfortable with the proposed approach of going back at 5, with the caveats that it is at the higher end of market norms and should be evaluated by an independent expert within the first year of the program.

That said, he was also under the impression that the number/fees had already been agreed to. Had something changed between a few weeks ago and now? I'm sure Ken/Mike could clarify tomorrow – feel free to pop by his office.

Thanks, Anna

From: Gadi Mayman
Sent: Tuesday, September 26, 2017 2:15 PM
To: Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>
Cc: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: Re: Draft Fees Regulation

Thanks, Scott. I understand that there are a few items in here that are a little different than what we'd expected, so we'll get back to you with our consolidated OFA response tomorrow.

Regards,
Gadi

On Sep 26, 2017, at 12:18 PM, Nelms, Scott (MOF) <Scott.Nelms@ontario.ca> wrote:

> Hi Gadi,
>
> I hope NYC is going well and you are finding air conditioning.
>
> We have been working with Steen's team and Energy legal on a draft of the fees regulation for OPG Trust and OFHP. As we progress through this, there are some elements of the regulation that we were hoping you and the OFA team might be able to consider (please see attached a black line for your reference):
>
> - The draft reg outlines a base fee as well as a variable fee.
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> - It would also be helpful if the OFA could let us know if the method for calculating the monthly funding obligation is reasonable.
> - With respect to costs, our understanding is that these sorts of costs are typically a pass through; can the OFA confirm? The Torys markup removes OEB oversight on costs but we are wondering if there should be a role for the OFA in reviewing / providing oversight in this regard?
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> - On timing, the draft reg currently contemplates a fee application by OPG every two years regardless of what interest rates are in the market. Do we think this is fair or should the application occur annually? (Note that until new fees are established, the old fees are still in effect).

In terms of next steps, OPG would like to get a draft to their Board in time for the meeting on Friday. ENERGY LSB is hoping for comments by tomorrow. I don't think we need anything too detailed or formal, but a quick sniff test would be useful to ensure we are on the right track.

Thanks for your help,
Scott

<Blackline_24180663v1 - 24180663v3.pdf>

From:	Sarah Neville
To:	Carlos Yep; Mike Manning; Gadi Mayman
Cc:	Anna Strathy; Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Kenneth Russell
Subject:	RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt
Date:	Friday, December 15, 2017 4:20:18 PM

I have asked Ken Russell to advise on this in my absence, so please include him in correspondence going forward.

Thanks and Happy Holidays!

Sarah

From: Carlos Yep
Sent: Friday, December 15, 2017 3:45 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Mike
Can we discuss on Monday?

I spoke to MoE earlier today – They did not see why they should be part of the protocol but as a compromise are comfortable to sign the document as part of receipt and acknowledgement. MoE has not had any input in to the operational part of calculating or describing the process to arrive at the spread. They have been concentrating efforts on broader policy issues.

Thanks
Carlos

From: MCAULEY Tyler -LAWDIV [mailto:tyler.mcauley@opg.com]
Sent: Friday, December 15, 2017 3:30 PM
To: Sawwaf, Khareem (ENERGY) <Khareem.Sawwaf@ontario.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; LIU Sheen -TREASURY <sheen.liu@opg.com>; LEE John -TREASURY <john.s.lee@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Khareem/ Carlos,

The approach proposed below is not in line with what was agreed between John Lee and Gadi. It's our expectation that the document will be agreed as between two parties (as opposed to receipt acknowledged). Could you please consult with your team and advise. If it's helpful, we are happy to coordinate a call to discuss.

Regards,

Tyler McAuley
Senior Counsel, Law Division

Ontario Power Generation
700 University Avenue, H18 G23
Toronto, ON, M5G 1X6
E: tyler.mcauley@opg.com
P: 416-592-4015

From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]
Sent: Friday, December 15, 2017 1:54 PM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>
Cc: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Further to our discussion this morning, OFA and the Ministry of Energy agreed that the best way to proceed will be acknowledging the Protocol Agreement in a manner of receipt. The following language will be included under the signature lines:

"On behalf of the OFA ,I acknowledge receipt of this document,

On behalf of the Ministry of Energy, I acknowledge receipt of this document,"

Kind regards,
Khareem Sawwaf

From: Sawwaf, Khareem (ENERGY)
Sent: December-14-17 12:49 PM
To: 'WONG Leslie -LAWDIV'
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

We can call you.

Khareem

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: December-14-17 12:19 PM
To: Sawwaf, Khareem (ENERGY); Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Thanks. Would you be calling my office, or would like us to call you? Or will we need a call-in number?

From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]
Sent: Thursday, December 14, 2017 12:18 PM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Cc: MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; Kulasinghe, Meineka (MEDG/MRIS) <Meineka.Kulasinghe@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Thank you for your prompt response.

5pm should be fine.

Khareem

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: December-14-17 12:11 PM
To: Sawwaf, Khareem (ENERGY); Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Yes, after 5 pm works. Let us know what time (e.g. 5 pm or 5:30).

From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]
Sent: Thursday, December 14, 2017 12:10 PM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Cc: MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; Kulasinghe, Meineka (MEDG/MRIS) <Meineka.Kulasinghe@ontario.ca>

Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Can we schedule something for today after 5pm?

Regards,
Khareem

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: December-14-17 11:59 AM
To: Sawwaf, Khareem (ENERGY); Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Khareem,

We will need to address any questions today, as we are arranging for signing of the Fair Hydro documents tomorrow. Tyler and I are available today between 12:30 pm and 1 pm and from 4:30 pm onward.

Let us know what works for you.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 **|** E: leslie.wong@opg.com

From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]
Sent: Thursday, December 14, 2017 11:52 AM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Cc: MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; Kulasinghe, Meineka (MEDG/MRIS) <Meineka.Kulasinghe@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

I hope all is well.

Alena and I were hoping to have another discussion with you either today or tomorrow regarding the protocol agreement. If you could let us know your availability, I would appreciate it.

Thanks,
Khareem

From: Sawwaf, Khareem (ENERGY)
Sent: December-06-17 3:48 PM
To: WONG Leslie -LAWDIV; Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)
Subject: Re: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Do you mind if we push our meeting to 4:30? I hope that works for you and Tyler.

Look forward to your reply.

Kind regards,
Khareem Sawwaf

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: WONG Leslie -LAWDIV
Sent: Wednesday, December 6, 2017 11:10 AM
To: Sawwaf, Khareem (ENERGY); Thouin, Alena (ENERGY)
Cc: MCAULEY Tyler -LAWDIV; Kulasinghe, Meineka (MEDG/MRIS)
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Khareem,

My colleague, Tyler McAuley, who drafted the agreement, and I are available for a call from 4:00-4:30. Would you like us to call you or Alena, or would you like to call us?

Also, if you had specific comments or questions, would it be possible to let us know in advance, to make the call more efficient? Thanks.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 **|** E: leslie.wong@opg.com

-----Original Message-----
From: Sawwaf, Khareem (ENERGY) [mailto:Khareem.Sawwaf@ontario.ca]
Sent: Wednesday, December 06, 2017 11:00 AM
To: WONG Leslie -LAWDIV <leslie.wong@opg.com>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Cc: MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; Kulasinghe, Meineka (MEDG/MRIS) <Meineka.Kulasinghe@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Les,

Alena and I were hoping to arrange a call with you later today to discuss the Protocol Agreement. Are you available for a 30 minute call sometime between 4-5, preferably 4:00-4:30?

I look forward to your reply.

Kind regards,
Khareem Sawwaf

-----Original Message-----
From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: December-04-17 1:17 PM
To: Thouin, Alena (ENERGY)
Cc: Sawwaf, Khareem (ENERGY); MCAULEY Tyler -LAWDIV
Subject: Re: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Alena - I am available at 5:15. My colleague, Tyler McAuley, who worked in the agreement, will also be available for a call then.

Let us know your preference on call logistics (who to call whom, or whether a call-in number would be preferable).

Regards,

Les

Sent from my BlackBerry 10 smartphone on the Bell network.
From: Thouin, Alena (ENERGY)
Sent: Monday, December 4, 2017 12:49 PM
To: WONG Leslie -LAWDIV
Cc: Sawwaf, Khareem (ENERGY)
Subject: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

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Hi Les
Hope you are well
I was hoping we can have a quick call on this (legal only at this point), just had some questions. I am around after 5:15 today?

Thanks
Alena

Alena Thouin
Deputy Director, Legal Services Branch
Ministries of Energy / Infrastructure / Economic Development & Growth / Research, Innovation & Science / Accessibility
56 Wellesley St. W. 18th Floor, Toronto, ON M7A 2E7
Tel: 416-325-1834 Email: alena.thouin@ontario.ca<mailto:alena.thouin@ontario.ca>

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From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: November 30, 2017 12:16 PM
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF)
Cc: LEE John -TREASURY; LIU Sheen -TREASURY; MCAULEY Tyler -LAWDIV; RYFA Ken -TREASURY;

PRESTON Stuart -TREASURY
Subject: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Dear Alena and Malle,

Please find attached a draft of the protocol agreement relating to the determination of interest rates on the subordinated and junior subordinated debt to be issued to OPG by the Fair Hydro Trust. Most of this debt will be funded through equity injections by the Province into OPG. OPG's Treasury team has been working with Carlos Yep of the OFA on this agreement. I understand that Alena has previously seen a term sheet setting out the main terms of the agreement.

Let us know if you have any questions or comments on the draft.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com<mailto:leslie.wong@opg.com>

_____

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From:	LEE John -TREASURY
To:	Ken Kandeepan
Cc:	WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Mike Manning; Tobias P. Whitfield (MOF); Anna Strathy; Thouin, Alena (ENERGY); Malle Hanslep (MOF); David McLean (MOF); Anna Strathy; Jonathan Tekle (CAB); Ronald Kwan; Steen Hume (CAB); Tim Christie (ENERGY)
Subject:	RE: EXTERNAL – RE: Waiver Process
Date:	Thursday, January 04, 2018 12:17:52 PM

Ken/Steen:
We are operating under the assumption that it was the Province desire to execute the term deal as early as possible in 2018 which would involve a launch on the 15th. If the preference is now to adhere to the 10 business day requirement and not waive it we are happy to do so and commence marketing later in the month on the 22nd.

Please advise and we will adjust the work plan accordingly.

John

-----Original Message-----
From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: Thursday, January 04, 2018 9:36 AM
To: LEE John -TREASURY <john.s.lee@opg.com>
Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Jonathan Tekle (CAB) <Jonathan.Tekle@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
Subject: EXTERNAL – RE: Waiver Process

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Hi John

I spoke to our DM's office and Scott's email is Scott.Thompson@ontario.ca, As required by the Process Agreement between the Province and OPG, pls forward the documents pertaining to the upcoming term deal by email to Scott with a cc to the following:

Gadi Mayman, Anna Strathy, David McLean (cc'ed above), Jonathan Tekle (also cc'ed above), Mike and myself.

Given that the Process Agreement requires OPG to also provide the same documents to MOE, I am cc'ing Steen and Tim so that they can inform their DM's Office as well.

With regard to the waiver, pls see Malle's comments below, it would also be useful if OPG were to provide a rationale as to why waiving the 10 business days requirement which may allow for term debt issuance in mid-January by the Trust is more beneficial than issuance either later in the same month or early February.

Thanks

Ken k

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, January 03, 2018 8:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Subject: Re: Waiver Process

It would be very helpful if OPG and Torys could provide to us a timetable and schedule for delivery of reference documents that are being prepared and when do we expect to get them and when is the proposed issuance. On that basis we can review the timing and determine whether a waiver will be necessary and if it is how it might be processed. Unfortunately we haven't received any updates or draft documents since the closing of the warehouse deal. Also is there a plan for distributing to the Province the documents from the warehouse closing?
Thanks

Malle
Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Ken Kandeepan
Sent: Wednesday, January 3, 2018 20:04
To: LEE John -TREASURY
Cc: WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Manning, Mike (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA)
Subject: Re: Waiver Process

Thanks, didn’t realize that all waivers have to be signed by the respective ministers, which as you know is difficult on an operational basis.

I am cc’ing our legal counsel to see if they have any suggestions.

Ken k

On Jan 3, 2018, at 5:57 PM, LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>> wrote:

Ken:

Given the importance of the Protection agreement and the desire to follow it to the “letter” ……see Torys comments below. Have you made provisions on the Province side to operationalize the delegation of waivers and amendments to facilitate the request. If not then the debt issuance date will get pushed out by the full 10 days.

Please advise.

John

From: Ramchandani, Rima [mailto:rramchandani@torys.com]
Sent: Wednesday, January 03, 2018 5:38 PM
To: LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>
Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY

<may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY
<ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY
<matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY
<j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: RE: EXTERNAL – RE: Diligence Questions

I should add that the waiver of the 10 BD requirement needs to be executed in writing by the Province (which means we will need signatures from each Minister). Will that be achievable? If not, perhaps we can proceed on the basis of an email waiver with the waiver signed by the Ministers to follow as soon as possible. Sorry but it is going to be a pain in the butt navigating through this agreement … hopefully the Province will realize that and agree to make some amendments!

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679
From: Ramchandani, Rima
Sent: January-03-18 5:32 PM
To: 'LEE John -TREASURY' <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>
Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV
<leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY
<lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY
<may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY
<ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY
<matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY
<j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: RE: EXTERNAL – RE: Diligence Questions

OK. I assume the DM of Finance will sign off on behalf of the Minister of Finance. But what about the Minister of Energy? The agreement requires notices to both Ministers on behalf of the Province and I recall on the warehouse closing, we had to wait for a representative from each Ministry to sign off.

Rima

Rima Ramchandani

P. 416.865.7666

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Sent: January-03-18 5:24 PM
To: Ramchandani, Rima <rramchandani@torys.com<mailto:rramchandani@torys.com>>
Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV
<leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY
<lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY
<may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY
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<matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY
<j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: RE: EXTERNAL – RE: Diligence Questions

I was speaking to Ken Kandeepan on the process this afternoon and he indicated to me that we should send the documents and the waiver request to the Deputy Minister of Finance with a cc. Gadi. Ken was going to send along the contact info for the DM of Finance and also alert their Office of the inbound email so they would not be surprised.

John

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From:	Hanslep, Malle (MOF)
To:	Ken Kandeepan; Tobias P. Whitfield (MOF); Mike Manning
Cc:	Anna Strathy; Thouin, Alena (ENERGY); David McLean (MOF); Jonathan Tekle (CAB); Ronald Kwan; Steen Hume (CAB); Tim Christie (ENERGY); Michael Waterston (MOF)
Subject:	RE: EXTERNAL – RE: Waiver Process
Date:	Thursday, January 04, 2018 12:40:32 PM

Hi - Copying in some others on the email.

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: January-04-18 12:28 PM
To: Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF); Manning, Mike (OFA)
Subject: FW: EXTERNAL – RE: Waiver Process

If OPG has a workplan that has a target date of Jan 15th for a launch, I would think that they have final versions of additional transaction documents which would become reference documents under the terms of the Process Agreement and in accordance with the process set out in there.
i.e. underwriting agreement, supplemental term indenture, info memo and possibly a selling agreement

We have not received anything nor have we received the closing documents from the warehouse closing on Dec 20th.

I don't really understand why they are making the 10 day period a critical decision point for this discussion at this time without providing us with any other information.

Malle

-----Original Message-----
From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: January-04-18 12:18 PM
To: Kandeepan, Ken (OFA)
Cc: WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA); Thouin, Alena (ENERGY); Hanslep, Malle (MOF); McLean, David (MOF); Strathy, Anna (OFA); Tekle, Jonathan (MOF); Kwan, Ronald (OFA); Hume, Steen (ENERGY); Christie, Tim (ENERGY)
Subject: RE: EXTERNAL – RE: Waiver Process

Ken/Steen:
We are operating under the assumption that it was the Province desire to execute the term deal as early as possible in 2018 which would involve a launch on the 15th. If the preference is now to adhere to the 10 business day requirement and not waive it we are happy to do so and commence marketing later in the month on the 22nd.

Please advise and we will adjust the work plan accordingly.

John

-----Original Message-----
From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: Thursday, January 04, 2018 9:36 AM
To: LEE John -TREASURY <john.s.lee@opg.com>
Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF)

<Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Jonathan Tekle (CAB) <Jonathan.Tekle@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>
Subject: EXTERNAL – RE: Waiver Process

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. *** _____

Hi John

I spoke to our DM's office and Scott's email is Scott.Thompson@ontario.ca, As required by the Process Agreement between the Province and OPG, pls forward the documents pertaining to the upcoming term deal by email to Scott with a cc to the following:

Gadi Mayman, Anna Strathy, David McLean (cc'ed above), Jonathan Tekle (also cc'ed above), Mike and myself.

Given that the Process Agreement requires OPG to also provide the same documents to MOE, I am cc'ing Steen and Tim so that they can inform their DM's Office as well.

With regard to the waiver, pls see Malle's comments below, it would also be useful if OPG were to provide a rationale as to why waiving the 10 business days requirement which may allow for term debt issuance in mid-January by the Trust is more beneficial than issuance either later in the same month or early February.

Thanks

Ken k

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, January 03, 2018 8:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Subject: Re: Waiver Process

It would be very helpful if OPG and Torys could provide to us a timetable and schedule for delivery of reference documents that are being prepared and when do we expect to get them and when is the proposed issuance. On that basis we can review the timing and determine whether a waiver will be necessary and if it is how it might be processed. Unfortunately we haven't received any updates or draft documents since the closing of the warehouse deal. Also is there a plan for distributing to the Province the documents from the warehouse closing?
Thanks

Malle
Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Ken Kandeepan
Sent: Wednesday, January 3, 2018 20:04
To: LEE John -TREASURY
Cc: WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Manning, Mike (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA)

Subject: Re: Waiver Process

Thanks, didn't realize that all waivers have to be signed by the respective ministers, which as you know is difficult on an operational basis.

I am cc'ing our legal counsel to see if they have any suggestions.

Ken k

On Jan 3, 2018, at 5:57 PM, LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>> wrote:

Ken:

Given the importance of the Protection agreement and the desire to follow it to the "letter" ……see Torys comments below. Have you made provisions on the Province side to operationalize the delegation of waivers and amendments to facilitate the request. If not then the debt issuance date will get pushed out by the full 10 days.

Please advise.

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Subject: RE: EXTERNAL – RE: Diligence Questions

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From:	Anna Strathy
To:	Martin Schlaepfer (MOF)
Cc:	David McLean (MOF); Mike Manning; Gadi Mayman; Ken Kandeepan
Subject:	RE: FHP Trust Offering
Date:	Tuesday, February 06, 2018 2:25:25 PM

Hi Martin,

I'm told the 92 bps over GoC looks right. And the issue was 23 bps over the Ontario curve.

Thanks Mike for the quick response.

Anna

From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Tuesday, February 06, 2018 2:19 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>
Subject: RE: FHP Trust Offering

Sorry. Just to clarify it would als be helpful to know how many basis points this is over provincial borrowing rates.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: February 6, 2018 2:14 PM
To: Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca>
Cc: McLean, David (MOF) <David.McLean@ontario.ca>
Subject: FHP Trust Offering

Hi Anna,

OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

They are claiming this 92 bps over GOC. Can you confirm if this is correct or if it is a different number?

Thanks,
Martin

Martin Schlaepfer
Director of Operations
Deputy Minister's Office
Ministry of Energy

T: 416-326-7688
M: 647-980-4634
E: martin.schlaepfer@ontario.ca

From:	Anna Strathy
To:	Mike Manning
Cc:	Ken Kandeepan; Gadi Mayman
Subject:	RE: FHP Trust Offering
Date:	Tuesday, February 06, 2018 2:23:59 PM

Thanks Mike.

From: Mike Manning
Sent: Tuesday, February 06, 2018 2:21 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: FHP Trust Offering

Hi Anna:
Looks correct to me. Term was 15.25 years.
Mike

From: Anna Strathy
Sent: Tuesday, February 06, 2018 2:16 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: FW: FHP Trust Offering

Hi Mike,

Please see question below from the Ministry of Energy (Deputy's EA). Could you please confirm?

Thanks, Anna

From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Tuesday, February 06, 2018 2:14 PM
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Cc: David McLean (MOF) <David.McLean@ontario.ca>
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E: martin.schlaepfer@ontario.ca

From:	Mike Manning
To:	Anna Strathy
Cc:	Ken Kandeepan; Gadi Mayman
Subject:	RE: FHP Trust Offering
Date:	Tuesday, February 06, 2018 2:22:13 PM

It is estimated that the issue was 23 basis points over the Ontario curve.

Regards, Mike

From: Anna Strathy
Sent: Tuesday, February 06, 2018 2:16 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
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From:	Mike Manning
To:	Anna Strathy
Cc:	Ken Kandeepan; Gadi Mayman
Subject:	RE: FHP Trust Offering
Date:	Tuesday, February 06, 2018 2:21:07 PM

Hi Anna:
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Mike

From: Anna Strathy
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Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
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From:	Anna Strathy
To:	Martin Schlaepfer (MOF)
Cc:	David McLean (MOF)
Subject:	RE: FHP Trust Offering
Date:	Tuesday, February 06, 2018 2:20:27 PM

Hi Martin, just confirming, will get back to you shortly.

From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Tuesday, February 06, 2018 2:19 PM
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From:	Schlaepfer, Martin (ENERGY)
To:	Anna Strathy
Cc:	David McLean (MOF)
Subject:	RE: FHP Trust Offering
Date:	Tuesday, February 06, 2018 2:18:50 PM

Sorry. Just to clarify it would als be helpful to know how many basis points this is over provincial borrowing rates.

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From: Schlaepfer, Martin (ENERGY)
Sent: February 6, 2018 2:14 PM
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Cc: McLean, David (MOF) <David.McLean@ontario.ca>
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From:	Schlaepfer, Martin (ENERGY)
To:	Anna Strathy
Cc:	David McLean (MOF); Mike Manning; Gadi Mayman; Ken Kandeepan
Subject:	RE: FHP Trust Offering
Date:	Tuesday, February 06, 2018 2:26:58 PM

Thanks for confirming, Anna.

Martin

From: Anna Strathy [mailto:Anna.Strathy@ofina.on.ca]
Sent: February 6, 2018 2:25 PM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Cc: McLean, David (MOF) <David.McLean@ontario.ca>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>
Subject: RE: FHP Trust Offering

Hi Martin,

I'm told the 92 bps over GoC looks right. And the issue was 23 bps over the Ontario curve.

Thanks Mike for the quick response.

Anna

From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Tuesday, February 06, 2018 2:19 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>
Subject: RE: FHP Trust Offering

Sorry. Just to clarify it would als be helpful to know how many basis points this is over provincial borrowing rates.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: February 6, 2018 2:14 PM
To: Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca>
Cc: McLean, David (MOF) <David.McLean@ontario.ca>
Subject: FHP Trust Offering

Hi Anna,

OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.

They are claiming this 92 bps over GOC. Can you confirm if this is correct or if it is a different number?

Thanks,
Martin

Martin Schlaepfer
Director of Operations
Deputy Minister's Office
Ministry of Energy
T: 416-326-7688
M: 647-980-4634
E: martin.schlaepfer@ontario.ca

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From:	Hanslep, Malle (MOF)
To:	Anna Strathy
Cc:	Tobias P. Whitfield (MOF); Ken Kandeepan
Subject:	RE: FHP issuance dated April 24, 2018
Date:	Wednesday, May 30, 2018 11:53:56 AM

Hi Anna,

I am checking with Torys and will let you know.

Thanks,

Malle

From: Strathy, Anna (OFA) [mailto:Anna.Strathy@ofina.on.ca]
Sent: May 30, 2018 11:45 AM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA)
Subject: RE: FHP issuance dated April 24, 2018

Hi Malle,

When would the closing documents have been completed? April 24?

Anna

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 30, 2018 11:36 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FHP issuance dated April 24, 2018

Hi Anna,

We received the process certificated for the issue of notes dated April 24, 2018:

- C$400,000,000 3.52% Senior Notes due May 15, 2038 Series 2018-2
- C$305,884,000 3.834% Sub Notes due May 15, 2038
- C$78,431,000 4.214% Junior Sub Notes Due May 15, 2038

But we haven't received copies of the closing documents (on a USB) for these issues and wondered if you have received anything. Usually we get these from the Deputy's office as they are delivered to the DM and Minister.

Thanks,

Malle

Malle Hanslep

Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

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From:	Hanslep, Malle (MOF)
To:	Anna Strathy
Cc:	Tobias P. Whitfield (MOF); Ken Kandeepan
Subject:	RE: FHP issuance dated April 24, 2018
Date:	Wednesday, May 30, 2018 11:45:51 AM

Yes, that's right.

From: Strathy, Anna (OFA) [mailto:Anna.Strathy@ofina.on.ca]
Sent: May 30, 2018 11:45 AM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA)
Subject: RE: FHP issuance dated April 24, 2018

Hi Malle,

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Sent: Wednesday, May 30, 2018 11:36 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
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From:	Hanslep, Malle (MOF)
To:	Anna Strathy
Cc:	Tobias P. Whitfield (MOF); Ken Kandeepan
Subject:	RE: FHP issuance dated April 24, 2018
Date:	Wednesday, May 30, 2018 12:19:21 PM

Hi Anna,

They are just available today – what a coincidence! Copied you on my response to Torys.

Thanks,

Malle

From: Strathy, Anna (OFA) [mailto:Anna.Strathy@ofina.on.ca]
Sent: May 30, 2018 11:56 AM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA)
Subject: RE: FHP issuance dated April 24, 2018

Thanks Malle. I may have passed it along to Opal in documentation. Let me check.

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 30, 2018 11:54 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: FHP issuance dated April 24, 2018

Hi Anna,

I am checking with Torys and will let you know.

Thanks,

Malle

From: Strathy, Anna (OFA) [mailto:Anna.Strathy@ofina.on.ca]
Sent: May 30, 2018 11:45 AM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA)
Subject: RE: FHP issuance dated April 24, 2018

Hi Malle,

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Anna

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 30, 2018 11:36 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FHP issuance dated April 24, 2018

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Malle

Malle Hanslep
Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

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From: Mike Manning
To: Anna Strathy
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date: Friday, September 08, 2017 1:04:22 PM

Sorry Anna for not cc'ing you.

Mike

-----Original Message-----
From: Anna Strathy
Sent: Friday, September 08, 2017 12:34 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Adding myself to this email chain.

Anna

-----Original Message-----
From: Gadi Mayman
Sent: Friday, September 08, 2017 12:14 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Original Message
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Friday, September 8, 2017 12:08 PM
To: Mike Manning; Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine; Gadi Mayman
Cc: Mike Manning
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Would the late September early Oct:ober issuance be expected to benefit from the provincial support agreement?

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Mike Manning
Sent: Friday, September 8, 2017 12:04
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Cc: Manning, Mike (OFA)
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

OPG doesn't have a full financing plan at this time. I believe they are hoping to firm up numbers from Energy fairly shortly, before they meet the ratings agencies. They are currently thinking of issuing $300 to $500 million in late September/early October. Roughly $125 million of this will be to fund the subordinated (5% requirement on roughly $2.5 billion of annual funding). The senior debt (the 51% that we are focussing on) is roughly planned for late November with roughly $400 million of issuance and then follow-up issuance on a fairly regular basis thereafter.

Hope this is helpful.
Regards, Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Friday, September 08, 2017 11:39 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Slightly different question. Have you seen a draft of the financing plan or know when it might be available?

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Hanslep, Malle (MOF)
Sent: Friday, September 8, 2017 11:36
To: Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Yes we just got this from Energy

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Mike Manning
Sent: Friday, September 8, 2017 11:02
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Subject: FW: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Hi Guys:
Not sure if you have seen this but passing it along. We may want to have this option, but running out of time.

Mike

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: Thursday, September 07, 2017 4:20 PM
To: James Rehob (ENERGY) <James.Rehob@ontario.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Dear James,

During the discussions of the Provincial guarantee at a recent Thursday rate mitigation meeting, OPG raised the issue of potential acceleration of financing entity debt where the guarantee is not applicable. That would occur if there is an event of default (e.g. if the trust is not able to pay/service the debt) for a reason that doesn't trigger the guarantee (e.g. for a reason other than a change of the legislation).

When there is an acceleration, all of the principal amount becomes due and a large payment would need to be made by the financing entity to bondholders. If the acceleration occurs after the moratorium period, the amount payable to bondholders would be put through the Clean Energy Adjustment to specified consumers. That could result in a significant increase in consumer bills in a short period of time.

We understand that the Province may not want consumers to experience such a sharp bill increase. We discussed

the Dealers whether the Province could be given the option to cure an event of default of a financing entity before it results in acceleration of debt. The Dealers were amenable to providing this option.

When we raised this possibility, the Province indicated it would like to have such an option, and asked us to put together a note describing the terms.

Please find attached a note describing the proposed terms of the option.

Let us know if you have any questions or comments, or if this should be directed to someone else.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com<mailto:leslie.wong@opg.com>

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From:	Nelms, Scott (MOF)
To:	Gadi Mayman; Mike Manning; Ronald Kwan; Ken Kandeepan; James Devine
Cc:	Anna Strathy
Subject:	RE: Fair Hydro Business Issues
Date:	Sunday, June 25, 2017 5:46:27 PM

Thanks Gadi. I will look for time perhaps Wednesday afternoon and try to gather the same group that talked through the guarantees. Need to work around LRC, TB, Cab schedules.

From: Gadi Mayman [mailto:Gadi.Mayman@ofina.on.ca]
Sent: June-25-17 5:39 PM
To: Nelms, Scott (MOF); Manning, Mike (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Devine, James (OFA)
Cc: Strathy, Anna (OFA)
Subject: Re: Fair Hydro Business Issues

I'm adding Ken and Jim to this conversation, as Mike is away this week and Jim is filling in for him. I'm away Thursday and Friday, but would be happy to find some time Tuesday or Wednesday for the internal meeting you're suggesting, Scott.

Gadi

From: Nelms, Scott (MOF)
Sent: Sunday, June 25, 2017 5:23 PM
To: Gadi Mayman; Mike Manning; Ronald Kwan
Subject: Fair Hydro Business Issues

Hi Gadi, Mike, Ron,

I had a chat with Ken Hartwick on Friday afternoon about our position on fees as well as progress on what we have been calling “business issues” (equity injection process, sub-debt agreement, guarantees). He agreed that we could push out the fees conversation from this round of regulation drafting, but wanted to make sure we set up time in early July to talk through these issues and land them asap. Here is where I think we are on each point:

- Fees: OPG wants a very light touch from OEB and, formulaic approach that mimics fee structures for portfolio managers (base fee tied to AUM + variable fee tied to performance). ENE agrees with the variable fee component (limited to $1M floor / ceiling), but has concerns about a base fee that does not tie to costs and wants a more substantive role for OEB.

- Guarantees: as you know the Province’s position was shared on Friday

- Equity Injections: I believe OPG has provided a draft structure. Unless OFA has concerns, I think this is largely procedural.

- Sub-debt: I don’t have much visibility in to this one. I heard folks from OFA were in discussions. This should link in with the fees conversation given the relationship with performance.

I would suggest we try and have an internal conversation later this week to discuss where we are on each of these in order to be ready to meet with OPG the following week.

Let me know if this makes sense or if I am missing anything.

Thanks,

Scott

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From:	Nelms, Scott (MOF)
To:	Gadi Mayman; Mike Manning; Ronald Kwan; Ken Kandeepan; James Devine
Cc:	Anna Strathy
Subject:	RE: Fair Hydro Business Issues
Date:	Sunday, June 25, 2017 6:52:47 PM
Attachments:	Financing Plan_May 2017.pdf

FYI – this may provide helpful context. From OPG last week.

From: Nelms, Scott (MOF)
Sent: June-25-17 5:58 PM
To: Mayman, Gadi (OFA); Manning, Mike (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Devine, James (OFA)
Cc: Strathy, Anna (OFA)
Subject: RE: Fair Hydro Business Issues

Thanks Gadi. I will look for time perhaps Wednesday afternoon and try to gather the same group that talked through the guarantees. Need to work around LRC, TB, Cab schedules.

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Financing Plan

ONTARIO POWER GENERATION



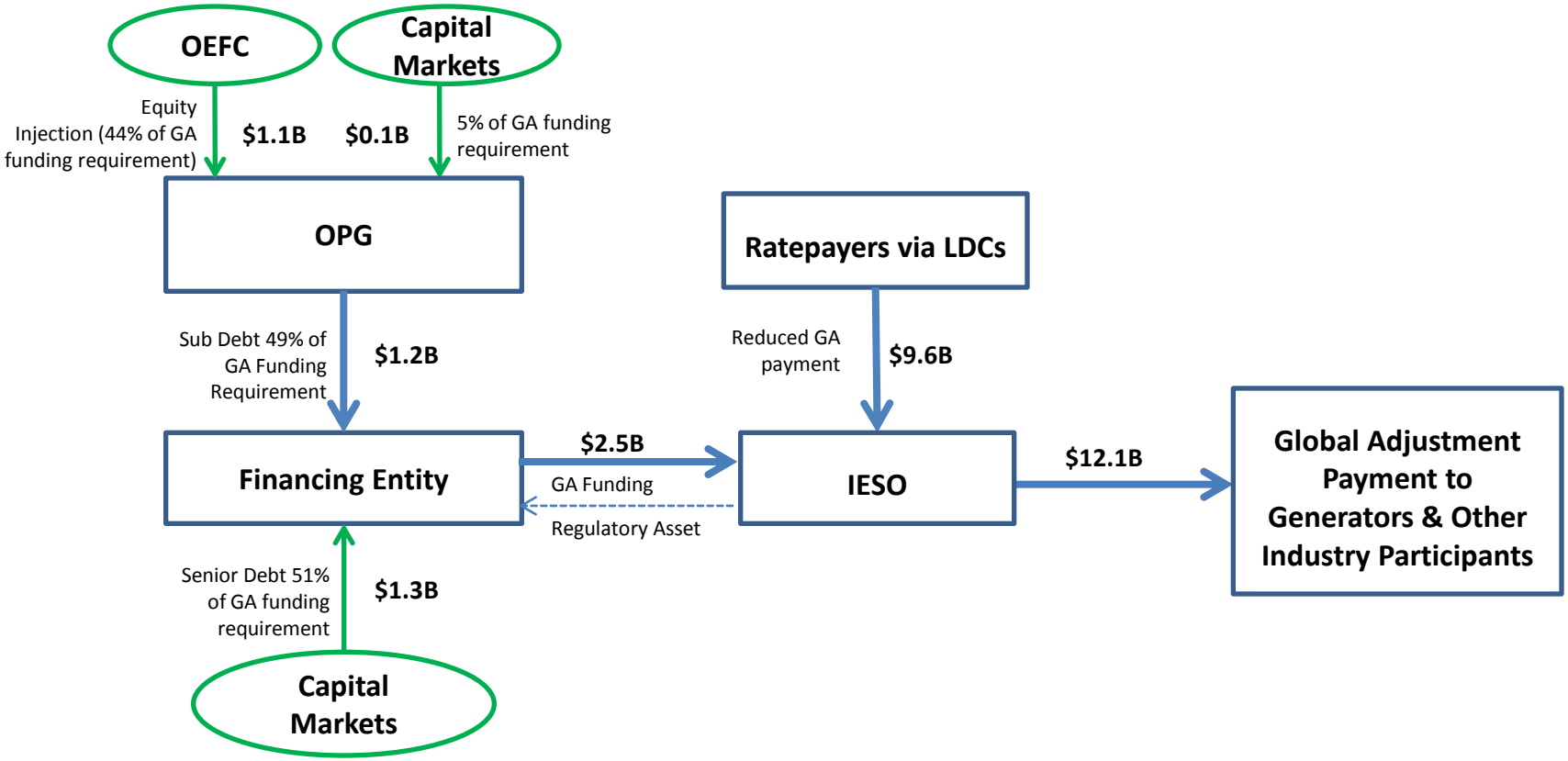
Financing Plan

Highlights:

- Legislation as currently drafted provides for a framework to implement the Fair Hydro Plan Act:
  - (i) to allow flexibility in OPG's corporate structure and to enable OPG to raise financing through public offerings of debt
  - (ii) for a regulatory asset consisting of the right to recover over time the amount of the Global Adjustment being deferred, together with interest and other costs
- Regulations and principal agreement need to be negotiated and agreed to in order to provide a completely financeable program
- A Financing Entity will be set up that will hold the claim on future customers and the debt issued to fund the payment to the IESO for the regulatory asset
- The GA financing platform will be developed to access both the Canadian and US markets in order to access best pricing and flexibility
- OPG will provide services to the Financing Entity including financings via a financial service and management agreement

Financing Plan – Structure

Illustration based on $2.5B GA Funding





Financing Plan - Components

- Debt components are:

	Risk Profile	Source	% of Total Funding Requirement
Tranche A Senior Debt	the least risky	Capital Markets	51%
Tranche B Sub Debt	In between A&C	OPG via Province	39%
Tranche C Sub Debt	the most risky	OPG via Province	5%
		OPG via Capital Markets	5%



Financing Plan – Rationale

The rationale for the structural debt percentages are:

- **Minimum of 51% from the Capital Markets**
  - Required from an accounting treatment perspective in order to consolidate the Financing Entity on OPG's financial statements, otherwise the debt is consolidated with the Province
  - Accounting treatment also requires OPG to direct the activities of the Financing Entity, and that the Province not directly or indirectly fund (through debt or equity) more than 50% of the Financing Entity to allow for OPG consolidation
- **Minimum Provincial equity contribution of up to 44%**
  - Help to is avoids the potential risk of a credit downgrade from the rating agencies as a result of the incremental debt consolidated on OPG financial statements negatively impacting credit metrics (Funds from Operations/ Debt)
- **Minimum OPG Investment of 5% from the Capital Market**
  - OPG requires a minimal amount of debt at risk financed through OPG operating cash flows or capital market debt. To demonstrate control of the Financing Entity OPG must own >=50% of the most subordinated debt and targeted to be no less than 5% of the total debt of the Financing Entity
  - The Province must not directly or indirectly fund (through debt or equity) more than 50% of OPG's investments in the most subordinated debt of the Financing Entity to lessen the materiality of OPG's debt at risk



Financing Plan – Other Elements

Other Structural Advantages:

- **Financing Entity:**
  - Is ring-fenced from OPG as a single purpose entity with no other operations that could add risk to the OPG entity
  - Is targeting a higher credit rating than OPG and therefore will have lower financing costs than OPG in the Capital Markets
  - Will record funding revenue reflecting the growth in the deferred asset value which will mitigate the negative impact on OPG's credit rating from the debt consolidation
  - Allows for flexibility to fund debt tranches with different terms, contractual consideration and subordination
  - Subordination will play an important credit enhancement role for the senior debt, and could act as a buffer or first loss of capital in any credit event
- **Operational attributes:**
  - OPG is the Financing and Services Manager for the Financing Entity and direct its activities
  - Short term debt can be warehoused in the Financing Entity until OPG accesses the Capital Markets
  - OPG will be independently accessing the public debt markets on a commercial basis
  - Opportunity to access the US market as appropriate



Financing Plan – Overview

The Financing Plan has two main phases:

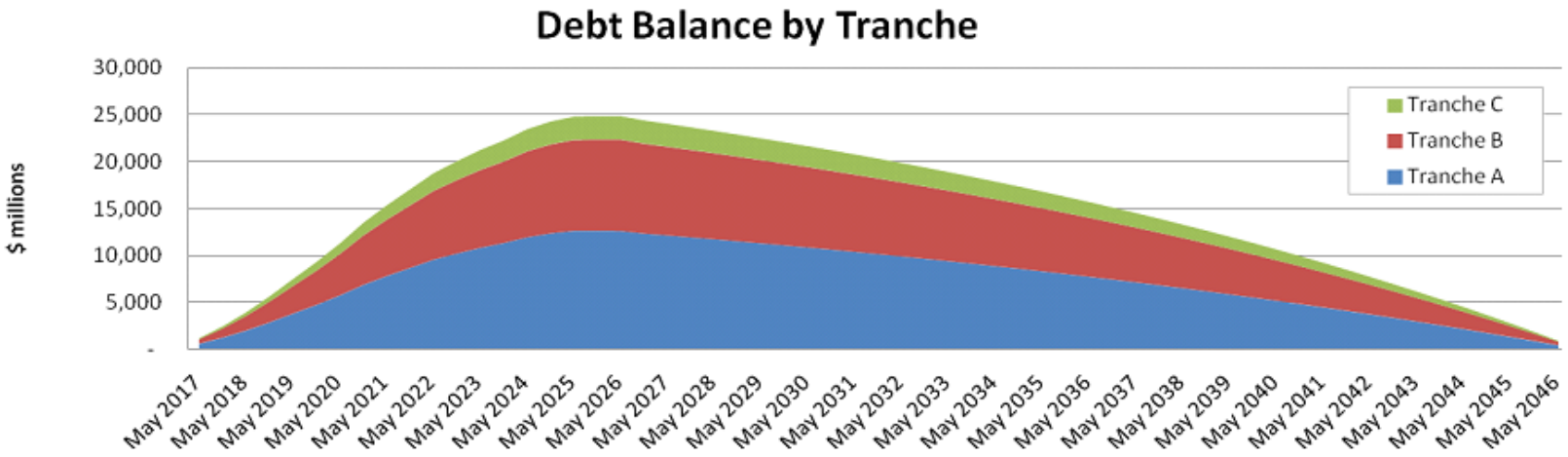
- **Net Borrowing Phase (2017-2026)**
  - During this 10 year period the debt created by the deferral of electricity charges will accumulate, together with associated interest costs & other fees, that in combination will establish the regulatory assets.
  - Monthly the Financing Entity will purchase the regulatory assets from IESO (purchase is ~$200M) as follows:
    - 51% through external capital markets (~$102M per month)
      - Initially the financing plan will access liquidity facilities at the Financing Entity level to fund and warehouse the monthly asset purchase requirement
      - On a quarterly basis when the accumulated monthly funding has reached a certain level ($300M), public debt will be offered to the market
    - Up to 49% subordinated debt in OPG
      - 44% funded through OPG via equity injections from the Province (~$88M/ month)
      - 5% funded through OPG via the capital markets (~$10M/ month)
  - Cash interest will be paid based on the lender agreements. The interest costs will be added to future borrowing requirements, and do not flow through to consumers during this period

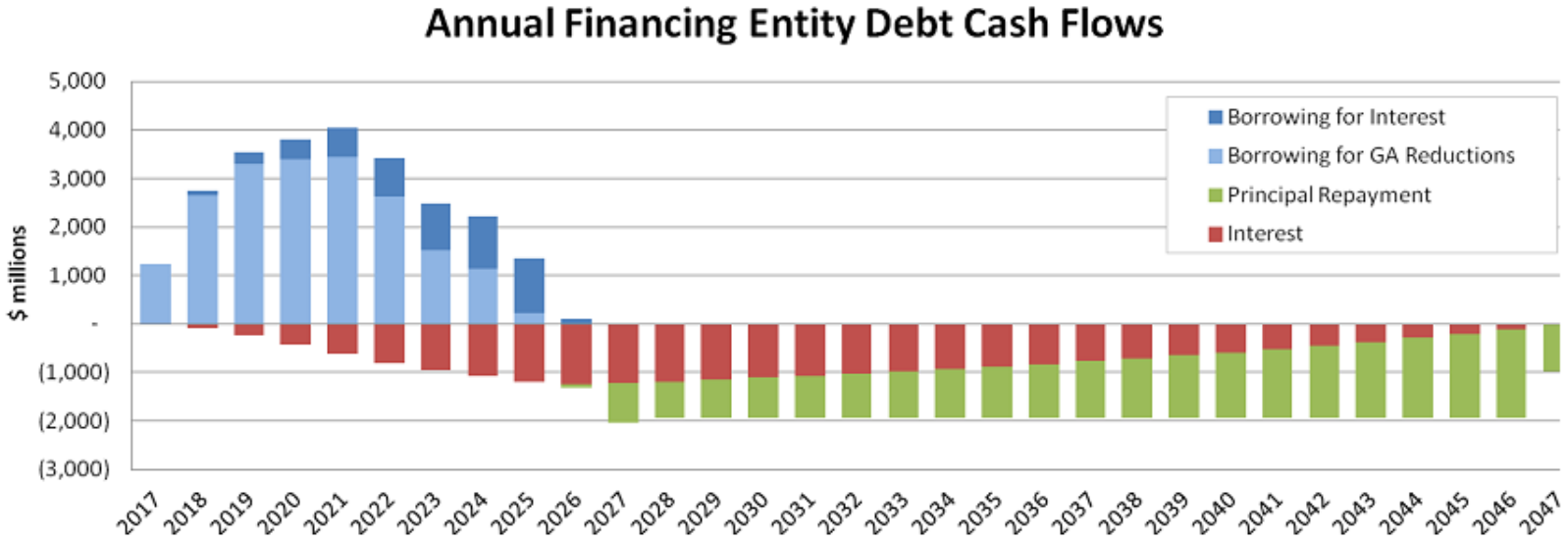


Financing Plan – Program Overview

- **Debt Amortization Phase (2027-2046)**
  - Starting 2027, the accumulated debt created by the deferral will be recovered and paid down by 2047
  - Similar to mortgage style debt payment, a combination of principal and interest will be paid to lenders during this 20 yr period
  - Financing Entity structure continues until all the debt is repaid
  - Target to keep the charge paid by ratepayers during the amortization period to less than 10% of a customers bills to meet credit rating agency guidelines

Debt Profile & Cash Flows





ONTARIO POWER GENERATION



Financing Plan – Funding Alternatives

Key Considerations

- There are several potential funding sources that can be considered to structure the overall financing program, including securitization (issued in Canada or the U.S.), bonds, bank financing, and subordinated debt

Short Term	
ABCP Conduit	▪ R-1(high)/P-1 credit ratings required from DBRS and Moody's (limited market capacity if these ratings are not achieved) ▪ Requires periodic take-outs to repay warehouse funding; take-out risk needs to be addressed as amortization of debt currently not contemplated to commence until after year 10
Bank	▪ No external rating required ▪ Take-out risk needs to be addressed as amortization of debt currently not contemplated to commence until after year 10
Long Term	
Canadian Term ABS	▪ AAA ratings required from at least two of DBRS, Moody's, S&P or Fitch (limited market capacity if these ratings are not achieved) ▪ Tenors > 10 years to be explored
Canadian Bond	▪ This type of financing has not been tested in the Canadian market ▪ AAA ratings not required to access the market ▪ Provides access to broadest investor base in the Canadian market
US Term Debt (ABS/Bonds)	▪ Proven market for securitization and higher market capacity available than Canadian Term ABS ▪ Ratings required from at least two of S&P, Moody's or Fitch (AAA required for Term ABS) ▪ Requires cross-currency swaps
Subordinated Debt	▪ Nature of subordinated debt, repayment terms/flexibility and contingent Provincial support applicable to subordinated debt will impact pricing ▪ Quantum of subordinated debt creates equity like thickness and may serve as a credit enhancement for the senior debt



Indicative Pricing Consideration

Indicative Pricing Considerations

- Although all of the debt issued by the Financing Entity is expected to be afforded the same level of protection including a provincial guarantee, a higher return on the subordinated debt (sub debt) would be required to compensate for incremental risk to the extent:
  - The rating agencies attribute a lower rating to the sub debt relative to the senior debt because of its ranking in the cash flow waterfall
  - The ratings of senior debt need to be credit enhanced by all or a portion of the sub debt as follows:
    1) Flexibility to defer charges to rate payers and hence extend the expected duration of the sub debt to manage the total amount charged to rate payers as a proportion of the total bill during the recovery period – could result in non repayment by 2047 if a hard cap is included
    2) Defer principal payments on certain classes of sub debt until more senior notes are fully repaid

Feature	Tranche B Subordinated Debt	Tranche C Subordinated Debt
	Explanation	**Explanation**
Credit Risk	Credit enhancement to Tranche A (senior debt)	Credit enhancement to Tranche A (senior debt) Act as first “loss absorber”
Duration/Tenor Premium	Same duration as Market Notes	Same duration as Market Notes
Certainty of timing of payments	Same as Market Notes but lower in the waterfall	Some additional volatility in timing of payments, but trued-up every 6 months
Liquidity Premium	Issue size expected to be similar to senior debt	Relatively small amount which will have less liquidity

From:	Ronald Kwan
To:	Gadi Mayman; Ken Kandeepan; Mike Manning
Cc:	Anna Strathy; Gavin He
Subject:	RE: GA Financing Response to Minister"s Request
Date:	Tuesday, April 18, 2017 10:44:13 AM

Hi Gadi,

Did we get the final copy of the Energy letter to OPG?

Ron

From: Gadi Mayman
Sent: April-18-17 9:36 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: GA Financing Response to Minister's Request

The OFA isn't mentioned in the body of the letter, but given that I'm cc'd with a pretty esteemed list, I'll take that as sufficient.

From: LORD Bernard -BOARDCHAIR <bernard.lord@opg.com>
Sent: Tuesday, April 18, 2017 9:10 AM
To: 'glenn.thibeault@ontario.ca'
Cc: Charles Sousa (MOF); Scott Thompson (CAB); Serge Imbrogno (ENERGY); Gadi Mayman; LYASH Jeffrey -PRESIDENT; HARTWICK Ken -FINANCE; GINTHER Chris -CAO; KING Catriona -OFFCORPSEC; MATHIAS Carlton -OFFCORPSEC
Subject: GA Financing Response to Minister's Request

Hello,

Please see the attached letter from Bernard Lord, Board Chair Ontario Power Generation.

Thanks,

Rosemarie

Rosemarie Hoilett
Executive Assistant - Jeff Lyash President & CEO | Bernard Lord Board Chair
Ontario Power Generation
700 University Ave | H19-A24
Toronto ON M5G 1X6
416-592-2114 | rosemarie.hoilett@opg.com

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From: Gadi Mayman
To: Scott Thompson (CAB); Serge Imbrogno (ENERGY)
Cc: Mike Manning
Subject: RE: Investor Package - Fair Hydro Trust
Date: Thursday, April 19, 2018 12:38:21 PM

The FHT 20-year senior debt issue was priced this morning for $400 million at a spread of 107 basis points over Canada, or 32 over Ontario, and a yield of 3.52%.

Regards,
Gadi

From: Gadi Mayman
Sent: Wednesday, April 18, 2018 10:09 PM
To: Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Fw: Investor Package - Fair Hydro Trust

FYI.

OPG will be issuing the next tranche of the FHT senior debt tomorrow. Target size is $300-400 million.

OPG contacted Moody's to find out whether their placement of our debt on negative outlook would affect the FHT rating. OPG was told that structured finance ratings don't have outlooks, they just have a rating, so even though Moody's has directly tied the FHT rating to ours (and included it in their analysis of our debt when they put us on negative outlook yesterday - it was a small part, so far, and not the reason for the outlook change) there is no immediate ratings impact on the FHT.

Gadi

From: Martin, Kevin E <kevin.e.martin@rbccm.com>
Sent: Wednesday, April 18, 2018 2:10 PM
To: Elizabeth Wallace; James Devine; Mike Manning; Carlos Yep; Gadi Mayman
Cc: Caridia, Alex; Vijay, Shaaj; Dorri, Sam
Subject: FW: Investor Package - Fair Hydro Trust

20-year min $300mm, small room to grow.

To launch and price tomorrow.

From: Robertson, Sherry
Sent: April 18, 18 2:06 PM
To: +DS-GM-Bond Sales Desk
Subject: Investor Package - Fair Hydro Trust

THE FOLLOWING HAS BEEN FORWARDED TO INVESTORS

Base Offering Memorandum
Investor Presentation
Term Sheet

Sherry Robertson, MBA | Vice President | Debt Syndication | RBC Capital Markets | (416) 842-7758 |
2nd Floor, North Tower, Royal Bank Plaza | 200 Bay Street, Toronto, Ontario M5J 2W7
sherry.robertson@rbccm.com

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From:	Anna Strathy
To:	Ken Kandeepan; John Kim; Carlos Yep
Cc:	Mike Manning; James Devine
Subject:	RE: OFHP fees reg
Date:	Friday, October 13, 2017 4:11:05 PM

Thank you both. I've sent along to Gadi.

From: Ken Kandeepan
Sent: Friday, October 13, 2017 4:10 PM
To: John Kim <John.Kim@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: RE: OFHP fees reg

John is correct, the way I remember is that the idea of hiring and expert advisor was batted around at the meeting and the consensus was that the advisor's independence and the objectivity of the review would both be assured if RFP was issued by the OEB.

Thanks

Ken k

From: John Kim
Sent: Friday, October 13, 2017 3:51 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi Anna,

The first bullet is correct. The part that Ken contributed was that in a meeting that arrived at 7.5 bps also concluded that the OEB would engage an outside expert for the review process. On your last bullet, your description is also my understanding.

John

From: Anna Strathy
Sent: Friday, October 13, 2017 3:42 PM
To: John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
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wanted to confirm a few things:

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Thanks, Anna

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Hi Carlos,

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Subject: FW: OFHP fees reg

Hi Ken, Carlos,

Just catching up on emails and attached see additional request related to the draft reg.

I will aim to provide draft response to the Qs below tomorrow based on our comments and CMD's, as well.

Thanks,

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From: Katona, Keley (MOF) [mailto:Keley.Katona@ontario.ca]
Sent: Thursday, October 12, 2017 2:06 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Daniel Cayley (ENERGY) <Daniel.Cayley@ontario.ca>; Montgomery, Kaitlin (MOF) <Kaitlin.Montgomery@ontario.ca>
Subject: FW: OFHP fees reg

Hi John,

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Thanks,
Keley

From: Cayley, Daniel (ENERGY)
Sent: October-11-17 2:04 PM
To: Kim, John (OFA)
Cc: Christie, Tim (ENERGY)
Subject: OFHP fees reg

Hi John – our lawyers have a few questions below related to the OPG fair hydro plan fees reg that they were hoping to get your input on as soon as possible. Please let me know if you think a call with us/our lawyers would be faster than getting us written answers.

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the type of services provided, being services in respect of funds including **securitization vehicles**, pension funds, other **structured** investment funds, hedge funds and other similar **structured** funds, **[NTD: Confirm "securitization vehicles" and "structured".]**

the scope of the services provided,

the level of the services provided, and

the dollar amount of assets under management;

Thanks,

Daniel

From: Anna Strathy
To: John Kim; Carlos Yep
Cc: Ken Kandeepan; Mike Manning; James Devine
Subject: RE: OFHP fees reg
Date: Friday, October 13, 2017 3:41:35 PM

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From:	Anna Strathy
To:	John Kim; Carlos Yep
Cc:	Ken Kandeepan; Mike Manning; James Devine
Subject:	RE: OFHP fees reg
Date:	Friday, October 13, 2017 3:18:29 PM

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Cc:	Mike Manning; James Devine
Subject:	RE: OFHP fees reg
Date:	Friday, October 13, 2017 4:47:17 PM

Just on the phone with him. He's fine with it. Thank you!

From: John Kim
Sent: Friday, October 13, 2017 4:46 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi Anna,

Any questions from Gadi?

John

From: Anna Strathy
Sent: Friday, October 13, 2017 4:11 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: RE: OFHP fees reg

Thank you both. I've sent along to Gadi.

From: Ken Kandeepan
Sent: Friday, October 13, 2017 4:10 PM
To: John Kim <John.Kim@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: RE: OFHP fees reg

John is correct, the way I remember is that the idea of hiring and expert advisor was batted around at the meeting and the consensus was that the advisor's independence and the objectivity of the review would both be assured if RFP was issued by the OEB.

Thanks

Ken k

From: John Kim

Sent: Friday, October 13, 2017 3:51 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi Anna,

The first bullet is correct. The part that Ken contributed was that in a meeting that arrived at 7.5 bps also concluded that the OEB would engage an outside expert for the review process. On your last bullet, your description is also my understanding.

John

From: Anna Strathy
Sent: Friday, October 13, 2017 3:42 PM
To: John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi John, I'm not quite as close to this as everyone else here, so before sending over to Gadi I just wanted to confirm a few things:

- From what I can tell, the drafting instructions have the base fee at 7.5 bps in 2017 and 2018, consistent with our understanding
- The base fee beyond 2018 will be reviewed by the OEB to be ensure comparability with market fees, consistent with our understanding
- There is no mention of the OEB undertaking a study (as far as I can tell) to determine comparability – is that because it's already at their discretion to do so?

Thanks, Anna

From: John Kim
Sent: Friday, October 13, 2017 3:17 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi all,

The latest and pls. have one last look.

Anna, Ron is OK to send these along. Would it be OK with Gadi too?

Thanks,

John

From: John Kim
Sent: Friday, October 13, 2017 1:17 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: OFHP fees reg

Hi Carlos,

We added our comments to the draft regulation. Before sending back, I would like full review. The Qs and As will be sent shortly.

Energy staff have followed up on this (copied you and Ken on that response), reminding them of our email to them dated September 27, 2017.

Thanks,

John

From: John Kim
Sent: Thursday, October 12, 2017 5:27 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: OFHP fees reg

Hi Ken, Carlos,

Just catching up on emails and attached see additional request related to the draft reg.

I will aim to provide draft response to the Qs below tomorrow based on our comments and CMD's, as well.

Thanks,

John

From: Katona, Keley (MOF) [mailto:Keley.Katona@ontario.ca]
Sent: Thursday, October 12, 2017 2:06 PM
To: John Kim <John.Kim@ofina.on.ca>

Cc: Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Daniel Cayley (ENERGY) <Daniel.Cayley@ontario.ca>; Montgomery, Kaitlin (MOF) <Kaitlin.Montgomery@ontario.ca>
Subject: FW: OFHP fees reg

Hi John,

Further to my call, attached is the latest draft reg. Could you review the NTD for the OFA and also address any outstanding questions per below? This was discussed at a meeting that Gadi and Ron attended this morning and it's likely tracking to Cabinet next week with the goal of finalizing before the weekend.

Thanks,
Keley

From: Cayley, Daniel (ENERGY)
Sent: October-11-17 2:04 PM
To: Kim, John (OFA)
Cc: Christie, Tim (ENERGY)
Subject: OFHP fees reg

Hi John – our lawyers have a few questions below related to the OPG fair hydro plan fees reg that they were hoping to get your input on as soon as possible. Please let me know if you think a call with us/our lawyers would be faster than getting us written answers.

#1 – On the process for establishing the base fee and variable fee, which could theoretically spill over into the year to which the new fees would apply (if OEB approval was not obtained until then), the thinking would be to have the old fees apply until the new fees were approved by the OEB, and then have a "retroactive" adjustment of the fees (retroactively adjusting them back to the beginning of the year the new fees take effect). Since the base fee and variable fee are payable monthly, the "retroactive" adjustment would be made in the month following the month in which the new fees were finalized. The question for OFA is whether it would be appropriate to have a retroactive fee adjustment.

#2 – Re: discussion between OPG and OFA about what "market comparable fees", OPG has proposed that there be a requirement for five sets of fees, four of which would be fees charged by full-service managers of securitization vehicles, and the fifth of which would be fees charged by an asset manager (or management and financial services provider) in respect of any one of pension funds, other structured investment funds, hedge funds or other similar structured funds. Does the OFA have any comments on this approach or the viability of finding five such comparators? The

Board has suggested that the FSM be required to submit fee comparators but that the Board have the ability to also include comparators that it chooses (e.g. on the advice of consultants/experts it retains).

#3 – Are there "market comparable fees" that allow the person charging the fees to also recover out-of-pocket costs over and above the fees?

#4 – Can the OFA provide comments on the below draft definition of "market comparable fees" reads as follows (the NTDs are for OFA's input)?

ıarket comparable fees" means fees, expressed as a **[yearly?]** percentage rate, charged by asset managers **[or management and financial service providers?]** in Canada or another jurisdiction specified by the Board for services that are similar to the services provided by the Financial Services Manager under the Act in terms of,

[NTD: (1) Confirm *yearly* percentage rate. (2) Confirm whether to include "or management and financial service providers". If this is to be included, what does this mean? Is it a well-recognized industry term of art?]

the type of services provided, being services in respect of funds including **securitization vehicles**, pension funds, other **structured** investment funds, hedge funds and other similar **structured** funds, **[NTD: Confirm "securitization vehicles" and "structured".]**

the scope of the services provided,

the level of the services provided, and

the dollar amount of assets under management;

Thanks,

Daniel

From:	John Kim
To:	Ronald Kwan; Gadi Mayman
Cc:	Usman Zahid; Anna Strathy; Mike Manning; Ken Kandeepan
Subject:	RE: Rating Agencies views on Fair Hydro
Date:	Thursday, April 19, 2018 1:37:15 PM

For sure. Do we have a sense of the remainder of the debt?

From: Ronald Kwan
Sent: Thursday, April 19, 2018 1:06 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rating Agencies views on Fair Hydro

Hi Gadi,

John was prepped to anticipate such a request!

Ron

From: Gadi Mayman
Sent: April 19, 2018 12:31 PM
To: Ronald Kwan
Cc: Usman Zahid; Anna Strathy; Mike Manning; Ken Kandeepan
Subject: FW: Rating Agencies views on Fair Hydro

Hi Ron. The deal ended up coming at 107, which is 32 back of us. We should update our interest calculation based on this.

Thanks,
Gadi

From: Caridia, Alex [mailto:alex.caridia@rbccm.com]
Sent: Thursday, April 19, 2018 9:35 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rating Agencies views on Fair Hydro

Hi Gadi – jus called you for an update on this. As you will have seen books are open at 110 +/-3bps

See that as Ont +35 and Toronto +13bps

Happy to chat more at your convenience

Alex

From: Caridia, Alex
Sent: April 19, 18 7:59 AM
To: Gadi Mayman
Subject: Re: Rating Agencies views on Fair Hydro

Hi Gadi

In short, that's true. Moody's action on Ontario will have no immediate effect on the ratings of FHT. Moody's rates FHT in line with the Province's rating, and has stated that any move on Ontario will also move their ratings on the FH program. However, under securitization methodology, rating directions are not used, so there is no current change on FHT, but if the Province is downgraded, FHT will also be downgraded.

On: 18 April 2018 21:59,
"Gadi Mayman" <Gadi.Mayman@ofina.on.ca> wrote:
Thanks, Alex. I was told that structured finance ratings don't have negative outlooks; the rating is simply the rating, so Moody's putting us on negative outlook doesn't immediately affect their rating of the FHT. It's only if we were to get downgraded that they would also downgrade FHT. Seems weird to me, but that's what I was told, and given that you've proceeded with the FHT transaction, I assume it's true?

From: Caridia, Alex <alex.caridia@rbccm.com>
Sent: Wednesday, April 18, 2018 5:30:32 PM
To: Gadi Mayman
Subject: Fwd: Rating Agencies views on Fair Hydro

Hi Gadi - FYI

Begin Forwarded Message:
From: "Laham, Chris" <chris.laham@rbccm.com<mailto:chris.laham@rbccm.com>>
Subject: Rating Agencies views on Fair Hydro
Date: 18 April 2018 15:51
To: "+DS-GM-Bond Sales Desk" <DS-GM-BondSalesDesk@rbc.com<mailto:DS-GM-BondSalesDesk@rbc.com>>

Here are some bullet points outlining how each agency views Fair Hydro Trust in the context of the ratings of the Province.
The key point being, Moody's assumes at some point over the horizon of the program the Province will step in, thus linking the ratings. As a reminder, if this were to happen, the Province will assume the debt.

Here is Ian's outline for those that want a deeper dive:

DBRS

* Look at the transaction through a structured finance lens
* Change of law that could invoke a Protection Event is mitigated by the risk the FHT platform would become a liability of the Province, legislation took a long time to draft and pass, adverse change of law could bring into question other Provincial guarantee arrangements
* Significant enhancement (almost 100%) supports the senior notes, as does true-up mechanism, non-bypassability of recovery charge
* Amount of recovery charge is small as a percentage of the overall electricity user bill

Moody’s

* The program as structured and under current law and regulations is considered to be of similar credit quality to US utility cost recovery programs rated by Moody's
* However, the FHT program's 30-year term, combined with the pervasive role of the Province and its related entities in many aspects of this transaction, increase the risk that the Province could make future changes to the law or related regulations that could adversely affect the outstanding obligations under the FHT program
* The Provincial guarantee is a mitigant to this risk, but it is not as robust as the constitutional protection found in similar US programs. Accordingly, Moody’s has linked the provisional ratings of the notes to the Aa2 rating of the Province
* Future changes to the Province's rating will result in similar changes to the ratings of the notes.

Ian Benaiah | Director, Securitization Finance | RBC Capital Markets | TEL: 416.842.3820 | FAX: 416.842.3888 | ian.benaiah@rbccm.com<mailto:ian.benaiah@rbccm.com>

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From:	Gadi Mayman
To:	John Kim; Ronald Kwan
Cc:	Usman Zahid; Anna Strathy; Mike Manning; Ken Kandeepan
Subject:	RE: Rating Agencies views on Fair Hydro
Date:	Thursday, April 19, 2018 1:53:31 PM

Not that I'm aware of, but OPG is supposed to price the subordinated debt at the same time, so they should have those rates

Gadi

From: John Kim
Sent: Thursday, April 19, 2018 1:37 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Rating Agencies views on Fair Hydro

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Sent: Thursday, April 19, 2018 1:06 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
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From: Gadi Mayman
Sent: April 19, 2018 12:31 PM
To: Ronald Kwan
Cc: Usman Zahid; Anna Strathy; Mike Manning; Ken Kandeepan
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Thanks,
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From: Caridia, Alex [mailto:alex.caridia@rbccm.com]
Sent: Thursday, April 19, 2018 9:35 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
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Alex

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To: Gadi Mayman
Subject: Re: Rating Agencies views on Fair Hydro

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On: 18 April 2018 21:59,
"Gadi Mayman" <Gadi.Mayman@ofina.on.ca> wrote:
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From: Caridia, Alex <alex.caridia@rbccm.com>
Sent: Wednesday, April 18, 2018 5:30:32 PM
To: Gadi Mayman
Subject: Fwd: Rating Agencies views on Fair Hydro

Hi Gadi - FYI

Begin Forwarded Message:
From: "Laham, Chris" <chris.laham@rbccm.com<mailto:chris.laham@rbccm.com>>
Subject: Rating Agencies views on Fair Hydro
Date: 18 April 2018 15:51
To: "+DS-GM-Bond Sales Desk" <DS-GM-BondSalesDesk@rbc.com<mailto:DS-GM-BondSalesDesk@rbc.com>>

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The key point being, Moody's assumes at some point over the horizon of the program the Province will step in, thus linking the ratings. As a reminder, if this were to happen, the Province will assume the debt.

Here is Ian's outline for those that want a deeper dive:

DBRS

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* Amount of recovery charge is small as a percentage of the overall electricity user bill

Moody's

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* However, the FHT program's 30-year term, combined with the pervasive role of the Province and its related entities in many aspects of this transaction, increase the risk that the Province could make future changes to the law or related regulations that could adversely affect the outstanding obligations under the FHT program
* The Provincial guarantee is a mitigant to this risk, but it is not as robust as the constitutional protection found in similar US programs. Accordingly, Moody's has linked the provisional ratings of the notes to the Aa2 rating of the Province
* Future changes to the Province's rating will result in similar changes to the ratings of the notes.

Ian Benaiah | Director, Securitization Finance | RBC Capital Markets | TEL: 416.842.3820 | FAX: 416.842.3888 | ian.benaiah@rbccm.com<mailto:ian.benaiah@rbccm.com>

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From:	Ken Kandeepan
To:	LEE John -TREASURY
Cc:	WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Mike Manning; Tobias P. Whitfield (MOF); Anna Strathy; Thouin, Alena (ENERGY); Malle Hanslep (MOF); David McLean (MOF); Anna Strathy; Jonathan Tekle (CAB); Ronald Kwan; Steen Hume (CAB); Tim Christie (ENERGY)
Subject:	RE: Waiver Process
Date:	Thursday, January 04, 2018 9:36:09 AM

Hi John

I spoke to our DM's office and Scott's email is Scott.Thompson@ontario.ca, As required by the Process Agreement between the Province and OPG, pls forward the documents pertaining to the upcoming term deal by email to Scott with a cc to the following:

Gadi Mayman, Anna Strathy, David McLean (cc'ed above), Jonathan Tekle (also cc'ed above), Mike and myself.

Given that the Process Agreement requires OPG to also provide the same documents to MOE, I am cc'ing Steen and Tim so that they can inform their DM's Office as well.

With regard to the waiver, pls see Malle's comments below, it would also be useful if OPG were to provide a rationale as to why waiving the 10 business days requirement which may allow for term debt issuance in mid-January by the Trust is more beneficial than issuance either later in the same month or early February.

Thanks

Ken k

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, January 03, 2018 8:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Subject: Re: Waiver Process

It would be very helpful if OPG and Torys could provide to us a timetable and schedule for delivery of reference documents that are being prepared and when do we expect to get them and when is the proposed issuance. On that basis we can review the timing and determine whether a waiver will be necessary and if it is how it might be processed. Unfortunately we haven't received any updates or draft documents since the closing of the warehouse deal. Also is there a plan for distributing to the Province the documents from the warehouse closing?
Thanks

Malle
Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Ken Kandeepan
Sent: Wednesday, January 3, 2018 20:04
To: LEE John -TREASURY
Cc: WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Manning, Mike (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA)
Subject: Re: Waiver Process

Thanks, didn't realize that all waivers have to be signed by the respective ministers, which as you know is difficult on an operational basis.

I am cc'ing our legal counsel to see if they have any suggestions.

Ken k

On Jan 3, 2018, at 5:57 PM, LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>> wrote:

Ken:

Given the importance of the Protection agreement and the desire to follow it to the "letter" ……see Torys comments below. Have you made provisions on the Province side to operationalize the delegation of waivers and amendments to facilitate the request. If not then the debt issuance date will get pushed out by the full 10 days.

Please advise.

John

From: Ramchandani, Rima [mailto:rramchandani@torys.com]
Sent: Wednesday, January 03, 2018 5:38 PM
To: LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>
Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: RE: EXTERNAL – RE: Diligence Questions

I should add that the waiver of the 10 BD requirement needs to be executed in writing by the Province (which means we will need signatures from each Minister). Will that be achievable? If not, perhaps we can proceed on the basis of an email waiver with the waiver signed by the Ministers to follow as soon as possible. Sorry but it is going to be a pain in the butt navigating through this agreement … hopefully the Province will realize that and agree to make some amendments!

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679
From: Ramchandani, Rima
Sent: January-03-18 5:32 PM
To: 'LEE John -TREASURY' <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>
Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: RE: EXTERNAL – RE: Diligence Questions

OK. I assume the DM of Finance will sign off on behalf of the Minister of Finance. But what about the Minister of Energy? The agreement requires notices to both Ministers on behalf of the Province and I recall on the warehouse closing, we had to wait for a representative from each Ministry to sign off.

Rima

Rima Ramchandani

P. 416.865.7666

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: January-03-18 5:24 PM
To: Ramchandani, Rima <rramchandani@torys.com<mailto:rramchandani@torys.com>>
Cc: Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; WONG Leslie -LAWDIV <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LADAK Lubna -TREASURY <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com<mailto:may.lapira@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; GO Matthew -TREASURY <matthew.go@opg.com<mailto:matthew.go@opg.com>>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com<mailto:j.hahnparker@opg.com>>
Subject: RE: EXTERNAL – RE: Diligence Questions

I was speaking to Ken Kandeepan on the process this afternoon and he indicated to me that we should send the documents and the waiver request to the Deputy Minister of Finance with a cc. Gadi. Ken was going to send along the contact info for the DM of Finance and also alert their Office of the inbound email so they would not be surprised.

John

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From: Gadi Mayman
To: Scott Nelms (ENERGY)
Cc: Steen Hume (CAB); Mike Manning; Ronald Kwan; Ken Kandeepan
Subject: Re: Draft Fees Regulation
Date: Tuesday, September 26, 2017 2:15:30 PM

Thanks, Scott. I understand that there are a few items in here that are a little different than what we'd expected, so we'll get back to you with our consolidated OFA response tomorrow.

Regards,
Gadi

On Sep 26, 2017, at 12:18 PM, Nelms, Scott (MOF) <Scott.Nelms@ontario.ca> wrote:

> Hi Gadi,
>
> I hope NYC is going well and you are finding air conditioning.
>
> We have been working with Steen's team and Energy legal on a draft of the fees regulation for OPG Trust and OFHP. As we progress through this, there are some elements of the regulation that we were hoping you and the OFA team might be able to consider (please see attached a black line for your reference):
>
> - The draft reg outlines a base fee as well as a variable fee.
>   - The base fee is provided monthly at an annual rate of 10-basis points for the first two years (we had this initially set at one year but Torys' markup changes this to two years). After 2019, the base fee is provided at an annual rate of 8 basis points should the funding obligations exceed $10B. Does this seem reasonable?
>   - The variable fee structure seems consistent with previous discussions (5 basis point fee provided on the spread). Do you think this makes sense?
>   - It would also be helpful if the OFA could let us know if the method for calculating the monthly funding obligation is reasonable.
> - With respect to costs, our understanding is that these sorts of costs are typically a pass through; can the OFA confirm? The Torys markup removes OEB oversight on costs but we are wondering if there should be a role for the OFA in reviewing / providing oversight in this regard?
>   - Also, do the costs they've outlined seem reasonable? In particular, LSB is wondering whether this leaves the door open for OPG to pass through any overhead costs (i.e. should we be explicit about excluding them)?

<!--[if !supportLists]-->• <!--[endif]-->On timing, the draft reg currently contemplates a fee application by OPG every two years regardless of what interest rates are in the market. Do we think this is fair or should the application occur annually? (Note that until new fees are established, the old fees are still in effect).

In terms of next steps, OPG would like to get a draft to their Board in time for the meeting on Friday. ENERGY LSB is hoping for comments by tomorrow. I don't think we need anything too detailed or formal, but a quick sniff test would be useful to ensure we are on the right track.

Thanks for your help,
Scott

<Blackline_24180663v1 - 24180663v3.pdf>

From: Gadi Mayman
To: Ronald Kwan
Cc: Ken Kandeepan; Mike Manning; Anna Strathy
Subject: Re: FHP Debt Issuance
Date: Tuesday, February 06, 2018 6:51:19 PM

---

92 over Canada bonds, and 23 over Ontario.

Gadi

On Feb 6, 2018, at 6:17 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi,
>
> What was the spread on the FHP debt issuance?
>
> Ron

Debt markets show approval for Fair Hydro Plan financing

06.02.2018 David Hains Environment and Energy,
Investors gave Ontario Power Generation a boost as they piled into bonds sold for the province's Fair Hydro Plan.
OPG issued $500 million worth of debt on Tuesday, earning a low interest rate of 3.357 per cent from markets hungry for a safe investment.
Ratings agency DBRS gave the debt security a triple-A rating, while Moody's gave slightly less than its top grade, declaring it to be Aa2.
The debt issuance came amid a roller coaster market that saw the Dow Jones fall by more than 1,000 points yesterday, its largest one-day decline in six years. But OPG, which pitched the investment to investors last week on a road show that took them to Montreal, Toronto, Winnipeg and Vancouver, decided to pull the trigger to send the debt to market.
The funds will help pay for the province's Fair Hydro Plan, which was passed by the majority Liberal government in June 2017. A large part of the plan effectively reduced short-term hydro bills by deferring some costs to future bills. A complicated security was created to finance the plan, and it came in for criticism from Ontario's auditor general for, in her analysis, adding $4 billion in costs in order to keep the proposal off of the government budget. Officials from the Treasury Board and Ministry of Energy said at the time that it was not the case, and they were being diligent about following proper procedure.
Energy Minister **Glenn Thibeault** praised the debt issuance and the

government's hydro plan in a statement.

"Today’s announcement by Ontario Power Generation (OPG) regarding the successful issuance of secured debt in relation to Ontario’s Fair Hydro Plan is a positive sign that our plan is working."

The 3.357 per cent effective interest rate is a strong one for OPG, and bodes well for keeping the borrowing costs for the Fair Hydro Plan low. The rate is 15 basis points lower than Toronto Hydro, OPG noted, and more competitive than industry peers.

In a conference call, OPG said that the final interest rate was slightly better than expectations. The ministry of energy previously stated that they expect a 4.5 per cent average interest rate over the lifetime of the debt issuance for the security.

OPG plans to issue debt tranches two to three times a year to secure $300 million to $500 million worth of debt each time. Bond durations will vary, but the first issuance is 15.25 years.

A second round of financing is anticipated in the second quarter of 2018.

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From: Gadi Mayman
To: Ronald Kwan
Subject: Re: FHP Debt Issuance
Date: Tuesday, February 06, 2018 7:06:37 PM

Way tighter. Also much tighter than Hydro One trades to us, even though they trade well through OPG. It's the partial guarantee that is driving in the spread, and the overcollateralization inherent in the securitized structure

On Feb 6, 2018, at 7:01 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> Well, even tighter than OPG's spread last year!
>
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** February-06-18 18:51
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** Re: FHP Debt Issuance
>
> 92 over Canada bonds, and 23 over Ontario.
>
> Gadi
>
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>
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From: Ronald Kwan
To: Gadi Mayman
Cc: Anna Strathy; Usman Zahid
Subject: Re: FHP Trust Offering
Date: Wednesday, February 07, 2018 9:31:43 PM

Thanks Gadi.

Ron

On Feb 7, 2018, at 9:22 PM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

> A partial answer to your question about the sub debt via the SoC.
>
> Begin forwarded message:
>
> **From:** "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
> **Date:** February 7, 2018 at 6:22:54 PM EST
> **To:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
> **Cc:** "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>
> **Subject: RE: FHP Trust Offering**
>
> Serge,
>
> Thanks. Please let us know the outcome of your analysis.
>
> ---
>
> **From:** Imbrogno, Serge (ENERGY)
> **Sent:** February 7, 2018 6:21 PM
> **To:** Orsini, Steve (CAB)
> **Cc:** Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
> **Subject:** Re: FHP Trust Offering
>
> Steve,
>
> A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).
>
> The Ministry analysis underpinning the *2017* Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant's modelling of GA refinancing assumed an interest

rate of 4.5%. In the development of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.

The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500 million.

OPG advises that the remainder of the debt is split between "subordinated" and "junior subordinated" debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

Sent from my iPad

On Feb 6, 2018, at 10:29 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca> wrote:

> Thanks Serge.
>
> How does this compare to the costs assumed in the modelling?
>
> ---
>
> **From:** Imbrogno, Serge (ENERGY)
> **Sent:** February 6, 2018 2:36 PM
> **To:** Orsini, Steve (CAB); Davidson, Steven (CAB)
> **Cc:** Kwamena, Boafoa (CAB)
> **Subject:** FHP Trust Offering
>
> Hi Steve,
>
> Not sure if you received an update already, but below is the result of the OPG Trust financing this afternoon for the OFHP:

- OPG has informed us that pricing has been confirmed at

3.357% and they financed $500m.

- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.

From:	Hanslep, Malle (MOF)
To:	Anna Strathy; Ken Kandeepan; Carlos Yep; James Devine; Gadi Mayman; Mike Manning; Tobias P. Whitfield (MOF); John Kim
Subject:	Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date:	Friday, September 08, 2017 12:38:00 PM

What we are hearing on the call is that term debt is expected to be issued in late November just as Mike's info indicated.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Anna Strathy
Sent: Friday, September 8, 2017 12:33
To: Kandeepan, Ken (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA); Hanslep, Malle (MOF); Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Kim, John (OFA)
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Adding myself to this email chain.

Anna

-----Original Message-----
From: Gadi Mayman
Sent: Friday, September 08, 2017 12:14 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Original Message
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Friday, September 8, 2017 12:08 PM
To: Mike Manning; Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine; Gadi Mayman
Cc: Mike Manning
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Would the late September early Oct:ober issuance be expected to benefit from the provincial support agreement?

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Mike Manning
Sent: Friday, September 8, 2017 12:04
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Cc: Manning, Mike (OFA)
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

OPG doesn't have a full financing plan at this time. I believe they are hoping to firm up numbers from Energy fairly shortly, before they meet the ratings agencies. They are currently thinking of issuing $300 to $500 million in late September/early October. Roughly $125 million of this will be to fund the subordinated (5% requirement on roughly $2.5 billion of annual funding). The senior debt (the 51% that we are focussing on) is roughly planned for late November with roughly $400 million of issuance and then follow-up issuance on a fairly regular basis thereafter.

Hope this is helpful.
Regards, Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Friday, September 08, 2017 11:39 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Slightly different question. Have you seen a draft of the financing plan or know when it might be available?

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Hanslep, Malle (MOF)
Sent: Friday, September 8, 2017 11:36
To: Manning, Mike (OFA); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Subject: Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Yes we just got this from Energy

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Mike Manning
Sent: Friday, September 8, 2017 11:02
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Yep, Carlos (OFA); Devine, James (OFA); Mayman, Gadi (OFA)
Subject: FW: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Hi Guys:
Not sure if you have seen this but passing it along. We may want to have this option, but running out of time.

Mike

From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: Thursday, September 07, 2017 4:20 PM
To: James Rehob (ENERGY) <James.Rehob@ontario.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

Dear James,

During the discussions of the Provincial guarantee at a recent Thursday rate mitigation meeting, OPG raised the issue of potential acceleration of financing entity debt where the guarantee is not applicable. That would occur if there is an event of default (e.g. if the trust is not able to pay/service the debt) for a reason that doesn't trigger the guarantee (e.g. for a reason other than a change of the legislation).

When there is an acceleration, all of the principal amount becomes due and a large payment would need to be made by the financing entity to bondholders. If the acceleration occurs after the moratorium period, the amount payable to bondholders would be put through the Clean Energy Adjustment to specified consumers. That could result in a significant increase in consumer bills in a short period of time.

We understand that the Province may not want consumers to experience such a sharp bill increase. We discussed

the Dealers whether the Province could be given the option to cure an event of default of a financing entity before it results in acceleration of debt. The Dealers were amenable to providing this option.

When we raised this possibility, the Province indicated it would like to have such an option, and asked us to put together a note describing the terms.

Please find attached a note describing the proposed terms of the option.

Let us know if you have any questions or comments, or if this should be directed to someone else.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com<mailto:leslie.wong@opg.com>

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From:	Gadi Mayman
To:	Mike Manning; Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine
Cc:	Anna Strathy; Ken Kandeepan; Ronald Kwan
Subject:	Re: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt
Date:	Friday, September 08, 2017 1:19:51 PM

I'm entirely in line with your thoughts, Mike. My understanding is that vote whole reason that they had to do their own debt was to put risk on themselves, not transfer it all over to the Province.
Gadi

Original Message
From: Mike Manning
Sent: Friday, September 8, 2017 12:37 PM
To: Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Ken Kandeepan; John Kim; Carlos Yep; James Devine; Gadi Mayman
Subject: RE: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

No it wouldn't, but that is a good question. I have been assuming that the provincial support agreement would only apply to the 51% senior debt, but OPG just let me know that the subordinated debt will be quite a bit more expensive without a provincial support agreement. Roughly, they currently estimate that the senior debt will be priced 20-25 bps over the Province of Ontario. The subordinated they see about 100 bps back of the Senior if it has a provincial support agreement. They are now indicating, based on dealer feedback, that without a provincial support agreement, the subordinated will be about 100-200 bps more expensive if it doesn't have a provincial support agreement. Anyway, I don't think we should be expanding the support to the subordinated debt as this will greatly increase the Province's exposure. We may have to address ways to keep the subordinated more cost-effective. Thoughts appreciated.

Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Friday, September 08, 2017 12:09 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
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Subject: FW: Fair Hydro - Option for Province to Cure Default before Acceleration of Debt

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From: WONG Leslie -LAWDIV [mailto:leslie.wong@opg.com]
Sent: Thursday, September 07, 2017 4:20 PM
To: James Rehob (ENERGY) <James.Rehob@ontario.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
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Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G26.1, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com<mailto:leslie.wong@opg.com>

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From:	Gadi Mayman
To:	Scott Nelms (ENERGY); Mike Manning; Ronald Kwan; Ken Kandeepan; James Devine
Cc:	Anna Strathy
Subject:	Re: Fair Hydro Business Issues
Date:	Sunday, June 25, 2017 5:38:44 PM

I'm adding Ken and Jim to this conversation, as Mike is away this week and Jim is filling in for him. I'm away Thursday and Friday, but would be happy to find some time Tuesday or Wednesday for the internal meeting you're suggesting, Scott.

Gadi

From: Nelms, Scott (MOF)
Sent: Sunday, June 25, 2017 5:23 PM
To: Gadi Mayman; Mike Manning; Ronald Kwan
Subject: Fair Hydro Business Issues

Hi Gadi, Mike, Ron,

I had a chat with Ken Hartwick on Friday afternoon about our position on fees as well as progress on what we have been calling “business issues” (equity injection process, sub-debt agreement, guarantees). He agreed that we could push out the fees conversation from this round of regulation drafting, but wanted to make sure we set up time in early July to talk through these issues and land them asap. Here is where I think we are on each point:

- Fees: OPG wants a very light touch from OEB and, formulaic approach that mimics fee structures for portfolio managers (base fee tied to AUM + variable fee tied to performance). ENE agrees with the variable fee component (limited to $1M floor / ceiling), but has concerns about a base fee that does not tie to costs and wants a more substantive role for OEB.

- Guarantees: as you know the Province’s position was shared on Friday

- Equity Injections: I believe OPG has provided a draft structure. Unless OFA has concerns, I think this is largely procedural.

- Sub-debt: I don’t have much visibility in to this one. I heard folks from OFA were in discussions. This should link in with the fees conversation given the relationship with performance.

I would suggest we try and have an internal conversation later this week to discuss where we are on each of these in order to be ready to meet with OPG the following week.

Let me know if this makes sense or if I am missing anything.

Thanks,

Scott

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Anna Strathy; Gavin He
Subject:	Re: GA Financing Response to Minister"s Request
Date:	Tuesday, April 18, 2017 10:53:43 AM

I didn't. I'll ask Serge and Steen for a copy.

From: Ronald Kwan
Sent: Tuesday, April 18, 2017 10:44 AM
To: Gadi Mayman; Ken Kandeepan; Mike Manning
Cc: Anna Strathy; Gavin He
Subject: RE: GA Financing Response to Minister's Request

Hi Gadi,

Did we get the final copy of the Energy letter to OPG?

Ron

From: Gadi Mayman
Sent: April-18-17 9:36 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: GA Financing Response to Minister's Request

The OFA isn't mentioned in the body of the letter, but given that I'm cc'd with a pretty esteemed list, I'll take that as sufficient.

From: LORD Bernard -BOARDCHAIR <bernard.lord@opg.com>
Sent: Tuesday, April 18, 2017 9:10 AM
To: 'glenn.thibeault@ontario.ca'
Cc: Charles Sousa (MOF); Scott Thompson (CAB); Serge Imbrogno (ENERGY); Gadi Mayman; LYASH Jeffrey -PRESIDENT; HARTWICK Ken -FINANCE; GINTHER Chris -CAO; KING Catriona -OFFCORPSEC; MATHIAS Carlton -OFFCORPSEC
Subject: GA Financing Response to Minister's Request

Hello,

Please see the attached letter from Bernard Lord, Board Chair Ontario Power Generation.

Thanks,

Rosemarie

Rosemarie Hoilett
Executive Assistant - Jeff Lyash President & CEO | Bernard Lord Board Chair

Ontario Power Generation
700 University Ave | H19-A24
Toronto ON M5G 1X6
416-592-2114 | rosemarie.hoilett@opg.com

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From:	Gadi Mayman
To:	Ken Kandeepan
Cc:	Anna Strathy
Subject:	Re: Key Issues for discussion with Ken Hartwick
Date:	Tuesday, May 09, 2017 10:54:32 PM

Excellent, Ken, I'll report back to you after my breakfast with Ken H. on Thursday.

From: Ken Kandeepan
Sent: Tuesday, May 9, 2017 3:13 PM
To: Gadi Mayman
Cc: Anna Strathy
Subject: Key Issues for discussion with Ken Hartwick

Hi Gadi

As discussed pls find a few bullet points for discussion:

- For the Trust to be consolidated with OPG., the latter needs to have power over the former and garner profits from the arrangement.
- The proposed structure appears to address the power issue quite adequately. With regard to profit:
- The Trust will recover from Ratepayers the interest costs pertaining to all of its debt, upon consolidation with OPG, the latter's net income will increase (all else being equal) by an amount equal to the interest revenue the Trust receives on 44% of its debt.
- This represents substantial profit to OPG and constitutes a fairly effective argument against any arrangement that confers additional fees to the company whether they be performance based or otherwise.
- OPG in its paper, envisages a performance fee structure based on coming in below the benchmark on presumably the 51% borrowed from the markets.
- Assuming actual borrowings from the markets average out to $1.5B over the first 5 years and come in at 50 bps below the benchmark, potential performance fees can be as high as $7.5 million per annum, for close to $40 million over the 5 year period, all of which has to be recovered from the ratepayers in future years.
- Recommend the elimination of any performance fees, over-performance relative to the benchmark should benefit the ratepayers in the form of a tru-up of the interest recovered from this group.
- Finally from the Province's perspective, the increase in OPG's net income as a result of the equity injection will provide a fiscal offset to the Province's incremental IOD incurred in funding the injection.
- In order to keep the Province's cash position whole, an arrangement that requires OPG to issue annual dividends on the equity injection (class B shares) equal to the interest income on the 44% is recommended.

Thanks

Ken k

From: Gadi Mayman
To: Scott Nelms (ENERGY)
Subject: Re: Minister Letter to OPG
Date: Tuesday, April 18, 2017 11:03:36 AM

Thanks, Scott.

From: Nelms, Scott (MOF)
Sent: Tuesday, April 18, 2017 11:02 AM
To: Gadi Mayman
Subject: FW: Minister Letter to OPG

From: Katona, Keley (ENERGY)
Sent: April 13, 2017 5:42 PM
To: Hume, Steen (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF)
Subject: Fw: Minister Letter to OPG

From: Keley.Katona@ontario.ca
Sent: Thursday, April 13, 2017 5:41 PM
To: HARTWICK Ken -FINANCE
Cc: Imbrogno, Serge (ENERGY); KING Catriona -OFFCORPSEC
Subject: Re: Minister Letter to OPG

Attached is the signed letter.

From: Katona, Keley (ENERGY)
Sent: Thursday, April 13, 2017 3:49 PM
To: HARTWICK Ken -FINANCE
Cc: Imbrogno, Serge (ENERGY); KING Catriona -OFFCORPSEC
Subject: Re: Minister Letter to OPG

Thanks Ken, we've incorporated your changes.

Sent from my iPad

On Apr 13, 2017, at 2:49 PM, HARTWICK Ken -FINANCE <ken.hartwick@opg.com> wrote:

> Keley
>
> See the recommended changes to the letter. I reviewed these with the accounting team and both are needed to ensure the effective consolidation of the SPV into OPG. In particular the first change is critical. The second is important as the activity we undertake needs to be in the interest of OPG recognizing that the ratepayer impact is critical.
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<20170413-Letter from Province to OPG-LSB ESP Consolidated v2_clean.docx>

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<20170413-Letter from Province to OPG-LSB ESP Consolidated v2_clean.docx>

From: Anna Strathy
To: Martin Schlaepfer (MOF)
Cc: Francesca Bungaro-Yemec (ENERGY); Hresa Gavaris
Subject: Re: OFHP Fees Regulation Meeting
Date: Monday, October 02, 2017 3:24:40 PM

Thanks Martin. Please include Ken Kandeepan and Mike Manning from the OFA.

--
Anna Strathy
Special Policy Advisor to the CEO
Ontario Financing Authority
416.325.8032

On Oct 2, 2017, at 3:10 PM, Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca> wrote:

> Hi Anna,
>
> We're looking to set up a meeting tomorrow with OPG, OFA and the OEB to discuss the OFHP Fees Regulation that is currently being drafted. This would be an internal meeting only with no political staff.
>
> Francesca will be in touch with your office to find a mutually convenient time.
>
> Let me know if you have any questions or concerns.
>
> Thanks,
> Martin
>
> **Martin Schlaepfer**
> Director of Operations
> Deputy Minister's Office
> Ministry of Energy
> T: 416-326-7688
> E: martin.schlaepfer@ontario.ca

From: Anna Strathy
To: Ken Kandeepan; Mike Manning
Subject: Re: OFHP Fees Regulation Meeting
Date: Monday, October 02, 2017 4:16:39 PM

Ken, Mike,

Gadi has a conflict, so he won't be attending this meeting tomorrow morning at 8:45am. Are you both available? I'll be there as well.

Anna

--
Anna Strathy
Special Policy Advisor to the CEO
Ontario Financing Authority
416.325.8032

On Oct 2, 2017, at 3:29 PM, Anna Strathy <Anna.Strathy@ofina.on.ca> wrote:

> FYI
>
> --
> Anna Strathy
> Special Policy Advisor to the CEO
> Ontario Financing Authority
> 416.325.8032
>
> Begin forwarded message:
>
> > **From:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> > **Date:** October 2, 2017 at 3:24:39 PM EDT
> > **To:** "Martin Schlaepfer (MOF)" <Martin.Schlaepfer@ontario.ca>
> > **Cc:** "Francesca Bungaro-Yemec (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, Hresa Gavaris <Hresa.Gavaris@ofina.on.ca>
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> >
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Francesca will be in touch with your office to find a mutually convenient time.

Let me know if you have any questions or concerns.

Thanks,
Martin

Martin Schlaepfer
Director of Operations
Deputy Minister's Office
Ministry of Energy
T: 416-326-7688
E: martin.schlaepfer@ontario.ca

From:	Ken Kandeepan
To:	LEE John -TREASURY
Cc:	WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Mike Manning; Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Anna Strathy
Subject:	Re: Waiver Process
Date:	Wednesday, January 03, 2018 8:04:01 PM

Thanks, didn't realize that all waivers have to be signed by the respective ministers, which as you know is difficult on an operational basis.

I am cc'ing our legal counsel to see if they have any suggestions.

Ken k

On Jan 3, 2018, at 5:57 PM, LEE John -TREASURY <john.s.lee@opg.com> wrote:

> Ken:
>
> Given the importance of the Protection agreement and the desire to follow it to the "letter" ……see Torys comments below. Have you made provisions on the Province side to operationalize the delegation of waivers and amendments to facilitate the request. If not then the debt issuance date will get pushed out by the full 10 days.
>
> Please advise.
>
> John
>
> ---
>
> **From:** Ramchandani, Rima [mailto:rramchandani@torys.com]
> **Sent:** Wednesday, January 03, 2018 5:38 PM
> **To:** LEE John -TREASURY <john.s.lee@opg.com>
> **Cc:** Feldman, Michael <mfeldman@torys.com>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
> **Subject:** RE: EXTERNAL – RE: Diligence Questions
>
> I should add that the waiver of the 10 BD requirement needs to be executed in writing by the Province (which means we will need signatures from each Minister). Will that be achievable? If not, perhaps we can proceed on the basis of an email waiver with the waiver signed by the Ministers to follow as soon as possible. Sorry but it is going to be a pain in the butt navigating through this agreement … hopefully the Province will realize that and agree to make some amendments!
>
> Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

From: Ramchandani, Rima
Sent: January-03-18 5:32 PM
To: 'LEE John -TREASURY' <john.s.lee@opg.com>
Cc: Feldman, Michael <mfeldman@torys.com>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: RE: EXTERNAL – RE: Diligence Questions

OK. I assume the DM of Finance will sign off on behalf of the Minister of Finance. But what about the Minister of Energy? The agreement requires notices to both Ministers on behalf of the Province and I recall on the warehouse closing, we had to wait for a representative from each Ministry to sign off.

Rima

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Subject: RE: EXTERNAL – RE: Diligence Questions

I was speaking to Ken Kandeepan on the process this afternoon and he indicated to me that we should send the documents and the waiver request to the Deputy Minister of Finance with a cc. Gadi. Ken was going to send along the contact info for the DM of Finance and also alert their Office of the inbound email so they would not be surprised.

John

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From:	Hanslep, Malle (MOF)
To:	Ken Kandeepan; LEE John -TREASURY
Cc:	WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Mike Manning; Tobias P. Whitfield (MOF); Anna Strathy; Thouin, Alena (ENERGY)
Subject:	Re: Waiver Process
Date:	Wednesday, January 03, 2018 8:44:54 PM

It would be very helpful if OPG and Torys could provide to us a timetable and schedule for delivery of reference documents that are being prepared and when do we expect to get them and when is the proposed issuance. On that basis we can review the timing and determine whether a waiver will be necessary and if it is how it might be processed. Unfortunately we haven't received any updates or draft documents since the closing of the warehouse deal. Also is there a plan for distributing to the Province the documents from the warehouse closing? Thanks

Malle

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ken Kandeepan
Sent: Wednesday, January 3, 2018 20:04
To: LEE John -TREASURY
Cc: WONG Leslie -LAWDIV; LADAK Lubna -TREASURY; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Manning, Mike (OFA); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Strathy, Anna (OFA)
Subject: Re: Waiver Process

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