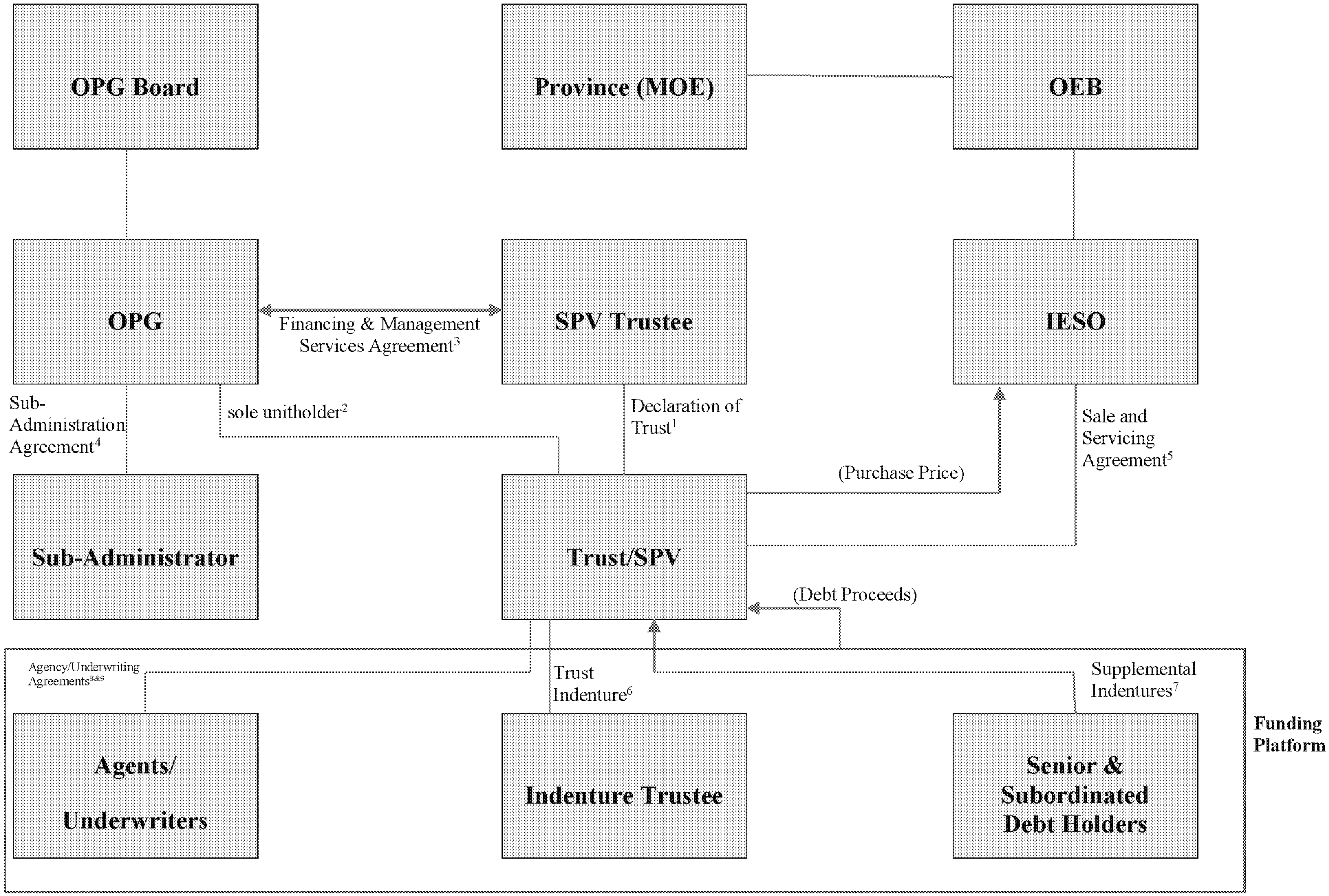
Draft: March 24, 2017

Fair Hydro Financing Trust Structure/Governance



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Notes

Governance

1. The Trust is created by the SPV Trustee (likely, a federally licensed trust company) by the Declaration of Trust for the sole purpose of acquiring Regulatory Assets (defined below at note 5) and funding such acquisitions through the issuance of debt securities and units. Under the Declaration of Trust, the SPV Trustee is empowered to take whatever steps are necessary to enable the Trust to fulfil its purpose.
2. OPG will be the sole unit holder (that is, equity provider) of the Trust. All net income of the Trust (if any) will be distributed to OPG on an annual basis.
3. The SPV Trustee will enter into a Financing and Management Services Agreement with OPG pursuant to which the SPV Trustee will delegate all powers and responsibilities for conducting the activities of the Trust to OPG. As sole unit holder and manager of the Trust, OPG will consolidate the assets and liabilities of the Trust for accounting purposes. However, OPG will agree to certain operational separateness covenants on behalf of the Trust (such as establishing separate branch accounts) to ensure that the Trust will be viewed as "bankruptcy-remote" from OPG (meaning that if OPG becomes insolvent, the Trust will not be wrapped up in such insolvency but could continue to operate with a successor manager).
4. OPG may arrange for certain administrative functions for the Trust to be performed by one or more third parties ("**Sub-Administrators**"). The chart shows this function established through Sub-Administration Agreements. However, other arrangements are also being explored, such as having the Indenture Trustee retain a paying agent to perform certain of the Indenture Trustee's duties under the Trust Indenture.
5. IESO will, each month, create the Regulatory Asset by charging the deferral accounts with the amount by which collections from the LDCs for Regulated Price Plan customers are lower than the amount otherwise billed to the LDCs for these customers. The amount otherwise billed would also include the financing and operating costs of the Trust and, in later years, would include a charge for principal repayment of the debt issued through the Funding Platform. Once the IESO has created the Regulatory Asset, the IESO will sell it to the Trust through a Sale and Servicing Agreement ("**SSA**"). Once purchased by the Trust, the Regulatory Asset will permit the Trust to recover the amount of the deferred accounts from ratepayers. The purchase price paid by the Trust to IESO will be funded by the debt of the Trust established under the Funding Platform. Through the SSA, IESO will also agree to act as servicer of the Regulatory Assets (which entails, principally, advising LDCs how and when to bill the Regulatory Assets, collect from LDCs and remit collections to the Trust).

Funding Platform

6. The Trust will enter into a Trust Indenture with a regulated trustee representing debt holders (the "**Indenture Trustee**").
7. Regulatory Assets will be pooled and will be funded by an overall pool of bonds (which may consist of both senior and subordinated bonds) that will be issued to investors in the capital markets or, in the case of subordinated bonds, to OPG. Each series of bonds will be created pursuant to a separate supplemental indenture under the Trust Indenture and will have a pro-rata claim on the Regulatory Assets.
8. Each series of bonds will be distributed to investors through agents/underwriters to be retained by the Trust for this purpose pursuant to a separate agency/underwriting agreement for each debt offering.
9. Decisions relating to each debt offering will be made on behalf of the Trust by OPG in its capacity as manager of the Trust.