OPG Confidential Exclusive

ONTARIO POWER GENERATION

FOR INFORMATION to the Special Committee of the Board

April 7, 2017

ONTARIO'S FAIR HYDRO PLAN
OPG Business Case

REASON FOR REPORT

The purpose of this submission is to provide the Special Committee an update on the business case for OPG's participation in the Fair Hydro Plan (FHP).

CONCLUSIONS

1) OPG has updated modelling of the proposed FHP Trust (Trust) using OPG-developed scenarios for the commodity cost (cost of generation) and using the Province/IESO forecast for the remainder of the electricity bill.

2) OPG's primary financial benefit will be interest income on subordinated debt invested in the Trust. **Redacted - Commercially Sensitive** **Redacted - Commercially Sensitive** OPG also expects to earn a fee in the order of 5-10 bps for managing trust operations.

3) Additional qualitative benefits that will support OPG's participation in the plan are also anticipated and strategies to achieve these are being developed.

4) OPG has modelled various stress scenarios to test whether the Trust can continue to effectively finance deferred system costs. Most stress scenarios are manageable, but a scenario that sees base interest rates at 7% (2% higher than base case) over the entire period requires mitigation steps that include increasing bills at a faster rate and beginning debt amortization 2 years earlier. More extreme situations would require the Province to pay the IESO any shortfalls resulting from the Trust reaching its financing capacity. OPG is working with the Province to further delineate how these situations will be addressed.

5)

Redacted - Commercially Sensitive

6)

HIGHLIGHTS

Further details are provided in

Appendix 1 – OPG Business Case Elements (April 7, 2017)

Submitted by:

Carlo Crozzoli
Senior Vice President Corporate Business Development and Strategy

APPENDICES

1. OPG Business Case Elements (April 7, 2017)