Ontario Power Generation

SPECIAL COMMITTEE OF THE BOARD

OPG Confidential Exclusive

Minutes of a meeting of the Special Committee of the Board of Directors of Ontario Power Generation, held by teleconference call, on April 19, 2017, at 1:30 p.m.

Present

George Lewis	Committee Chair
Bill Coley	Member
Lisa DeMarco	Member
Yezdi Pavri	Member

being a quorum of the Directors of the Committee, and

Jeffrey Lyash	President and Chief Executive Officer
Catriona King	Vice President, Corporate Secretary
Carlton Mathias	Assistant Corporate Secretary

Regrets

Bernard Lord	Member
Peggy Mulligan	Member

The following individuals were in attendance:

Ken Hartwick	Chief Financial Officer and SVP - Finance
Chris Ginther	Chief Administrative Officer
Carlo Crozzoli	SVP Corporate Business Development & Strategy
Jennifer Rowe	SVP Corporate Affairs
John Lee	Vice President, Treasurer
John Mauti	Vice President, Chief Controller & Accounting Officer
Les Wong	Senior Counsel, OPG Law Division
William Orr	Fasken Martineau
Aaron Atkinson	Fasken Martineau
Tracy Brennan	Ernst & Young
Laney Doyle	Ernst & Young

1. Constitution of Meeting/Approval of Agenda

   Notice of the meeting having been given to all the members of the Special Committee and a quorum of the members being present, the Committee Chair declared the meeting regularly constituted for the transaction of business on April 19, 2017 at 1:30 pm.

   a) Approval of Agenda

      Upon a motion duly made, seconded and unanimously agreed to, it was RESOLVED THAT:

      - The agenda for the April 19, 2017 meeting of the Special Committee was approved.

   b) Declaration of Conflicts of Interest

      The Committee Chair asked if there were any real, potential, or perceived conflicts of interest to disclose and none were declared.

2. Minutes of Meeting/Actions Arising from the Minutes

Upon a motion duly made, seconded and unanimously agreed to, it was RESOLVED THAT:

- The minutes of the April 7, 2017 meeting of the Special Committee were approved.

There were no outsanding actions.

3. Update From Ministry of Energy Rate Mitigation Working Group Meeting

Mr. Hartwick noted:

- The Ministry is meeting with the Provincial Auditor on April 19th to discuss the Province's proposed accounting treatment of the financing transaction. This is expected to be the first of 3 or 4 meetings. The results of the meetings have the potential to impact the legislation.
- The work to implement the Province's plan remains directionally consistent with what OPG Management has reported to the Committee thus far. However, there are large pieces of the plan that are not yet settled.

The Committee asked a number of questions including on the topic of Provincial responsibility for the amounts owing to the the IESO that are not financeable through the SPV, as well as on the topic of a Provincial guarantee of the amounts owing to the SPV. Mr. Hartwick responded to both topics.

Redacted - S/C Priv.

5. Accounting Considerations

Mr. Mauti spoke to the written materials provided. Mr. Mauti stated that a key outstanding issue for the Province is determining how it prefers to demonstrate that interest and other carrying charges are paid to the SPV on a monthly basis. This amount doesn't necessarily have to appear on customer bills but does have to be demonstrated in some way.

A number of questions were asked by the Committee of Mr. Mauti and E&Y to which they responded. As part of a response from Ms. Brennan of E&Y, Ms. Brennan advised the Committee that once the legislation is settled to OPG's and E&Y's satisfaction, E&Y will formally provide a written statement that it concurs that the structural and operating aspects of the SPV are sufficient to achieve the outcome of a financial consolidation of the SPV into OPG.

E&Y indicated that this concurrence statement will not be a formal opinion because the Regulations will not yet be drafted and the SPV governance documentation will not yet be created. E&Y advised that it expects that KPMG will give a similar concurrence statement to its client, the IESO.

6. Update to OPG's Business Case

Mr. Crozzoli spoke to the materials provided. The Committee asked a number of questions to which Mr. Crozzoli and Mr. Hartwick responded. Mr. Crozzoli also indicated that OPG's work on the sensitivity analyses will continue as the final business case is prepared for the Committee's and the Board's considerations.

7. Discussion of Written Materials Needed for the April 27th Committee Meeting

Mr. Hartwick advised, he he expects to bring forward to the Committee and the Board:

i) a comprehensive Board Memo from OPG Management, on the Implementation Plan for GA Re-financing which will include:
   - An overview of the Provincial Announcement re the Fair Hydro Plan and the GA Re-financing Component; the Shareholder's letter requesting OPG's participation and OPG's response committing to providing a plan
   - OPG's Business Case for participation in the GA Re-financing
   - A description of the implementation plan , which likely will address the following:
     - Structure/governance/management
     - The legislation
     - Financing strategy
     - Accounting considerations
     - A timeline for completion of additional necessary documents and agreements within approximately the next 3 months
     - description of the follow-on agreements that will be required to complete implementation
   - Communications Plan
   - Recommendations/Decisions Required

ii) A report from OPG's financial advisors, on the financeability of the program that will be included as an appendix to the Memo.

Mr. Lewis advised that Mr. Orr, the independent legal advisor to the Board, will prepare a privileged report from the Committee to the Board on the Committee's processes and work in fulfilling its mandate. This will not be duplicative of the management memo.

The Committee asked a number of questions of clarification to which Mr. Hartwick, Mr. Lewis and Mr. Orr responded.

8. Governance: *20 Questions Directors Should Ask About Special Committees*

Mr. Orr advised that the article provided, "*20 Questions Directors Should Ask About Special Committees*" should be read by Committee members. He commended sections 2 and 11 in particular to Committee members.

9. Next Meeting – April 27th: 1:00 – 4:00 p.m.

The present uncertainties about the timing for receipt of the final legislation that will be presented by the Province to Cabinet was noted by the Committee. The Committee noted an option to address this, if necessary, is to hold the Special Committee meeting on May 1st instead of April 27th and seek to schedule a Board meeting on May 5th.

10. In Camera Session
The Committee met in camera with Mr. Orr, Mr. Atkinson and Ms. King.

The Committee asked further questions of Ms. King and Mr. Orr with regard to the records of the Special Committee and documentation of the Committee's process and decision making to which they responded.

11. Termination
The meeting terminated at 3:30 p.m. following the conclusion of the in camera session.

Special Committee Chair Vice President, Corporate Secretary

Asterisk (*) denotes action to be taken