Fair Hydro Trust
Investor Presentation

January 22, 2018

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Presenters

ONTARIO POWER GENERATION

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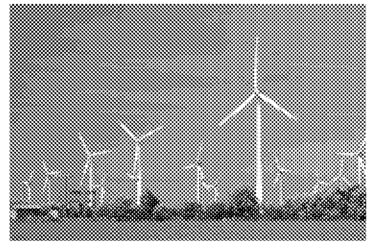

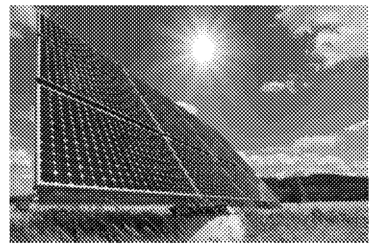

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I'll be walking you through the overview of the transaction and the Ontario electricity market in the first two sections of this presentation and John will provide more details as he goes through the rest of the sections.

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
- The CEA will be determined for each six month reference period and converted by the Ontario Energy Board ("OEB") into a $/kWh rate and added to electricity invoices sent to Specified Consumers commencing on May 1, 2021
- From July 1, 2017 to April 30, 2021 (the "Moratorium Period"), no payments in respect of CEA 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

- 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

[1] Defined as Specified Consumers under the FHPA.

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Announce Fair Hydro Plan - March last year

Legislation passed in June followed by regulations

Reallocate clean energy costs over a longer period

Consumers - about 5 million residential consumers, farms and small businesses

25% reduction in electricity bills received by July 2017

Electricity bills increase by the rate of inflation until 2021

Rate reduction causes a shortfall to be financed

OPG appointed Financial Services Manager

OPG established Fair Hydro Trust as financing entity

Financing cost paid by consumers through Clean Energy Adjustment or CEA

CEA is irrevocable and non-bypassable

"Moratorium" until May 1, 2021 – no CEA

CEA begins May 1, 2021

IESO pays financing costs until July 31, 2021 due to CEA billing & collection lag

OPG provides CEA amount to OEB

IESO provides forecast consumption to OEB

OEB uses information to set consumer rate for CEA

Fair Hydro Trust structured as bankruptcy remote & ring-fenced from OPG's creditors

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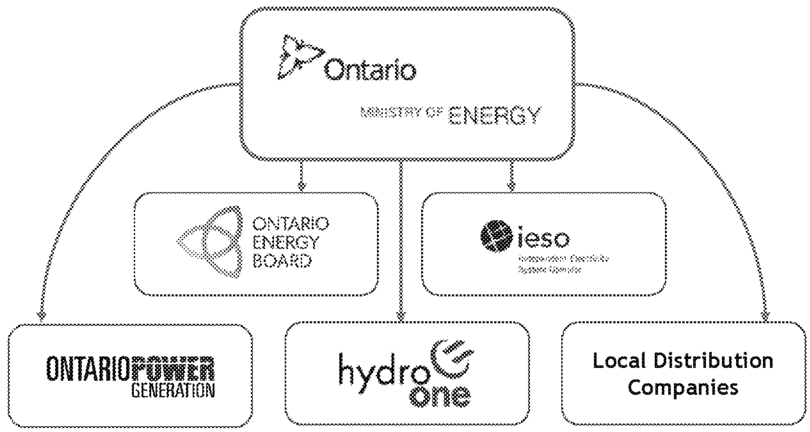
II. Ontario Electricity Market

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".

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Ontario's electricity industry highly regulated
$22 billion in annual cash flow
Industry planned and managed by the Ministry of Energy
OEB licensing of participants and oversight of wholesale market and LDCs
OEB sets rates for transmission / distribution / OPG / IESO
Other generation supply – contract rate with IESO
MOE long-term energy plan –
Overall system plan to meet forecast demand
Latest LTEP released in fall 2017.

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.

FHT

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Key participants are investment grade entities

Province of Ontario/Ministry of Energy
Province provides a Limited Guarantee of FHT debt

Ontario Energy Board
Overall regulatory authority over electricity market
Sets electricity price for Regulated Price Plan (RPP) consumers

IESO
Collects CEA amounts and remits such amounts to the Trust.
Forecasts electricity consumption for CEA rate.
Pays Carrying Costs of the Trust until July 31, 2021

OPG
Wholly-owned by Province of Ontario and Ontario's largest electricity generator, producing approximately half of Ontario's electricity
Manager of the Trust
Determine how and when funding obligations of the Trust will be incurred.
Provide the amount of CEA to OEB
Entitled to a management fee from the Trust.

Hydro One

Largest transmitter in Ontario; owns and operates 96% of the transmission lines.

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
Hydro Ottawa	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

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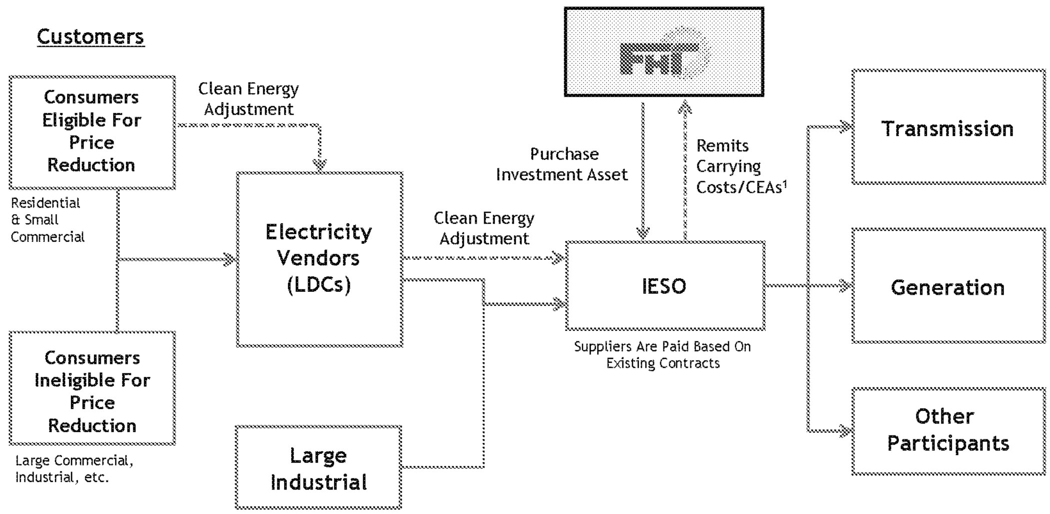
LDCs or Electricity Vendors
Provide power to end-users (residential / commercial / industrial)
Currently 65 LDCs operating in the IESO market
3 largest LDCs account for ~60% of Ontario's 5 million specified consumers
Ten of the 65 LDCs have investment-grade credit ratings from at least one of DBRS, Moody's and Standard & Poor's.
Each LDC responsible for invoicing CEA amounts using rate from OEB.
CEA collected held in segregated accounts until remitted to the IESO.
Strong payment record by LDCs to the IESO, resulting in no payment defaults experienced historically.

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.

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FHT layered onto existing market structure
Fair Hydro Program leverage existing participants and processes
New elements –
Creation of FHT,
FHT funding of IESO shortfall,
CEA charge on consumer's bill to pay for financing
IESO will determine the total shortfall monthly
Shortfall is difference between IESO contract costs and lower rate payer collections
Shortfall includes FHT financing costs
Total shortfall recorded in a variance account.
IESO has right to recover the variance account balance
This right is the Regulatory Asset
FHT acquires portion of Regulatory Asset as Investment Interest
CEA amounts will be invoiced to Specified Consumers beginning May 2021

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 account.

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

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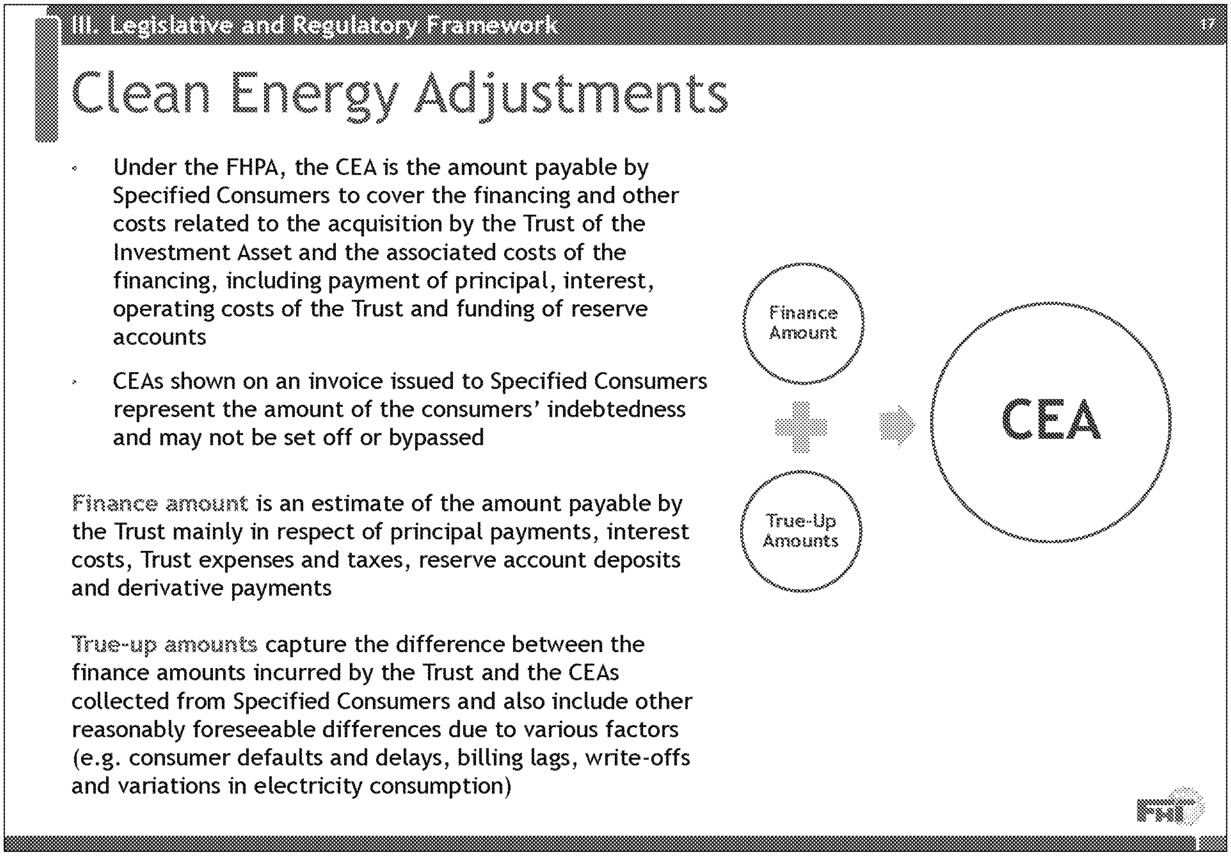


For all reference periods prior to the current reference period the true-up amount captures the difference between the finance amounts incurred by the financing entities and the clean energy adjustment collected from consumers. The true-up amount also includes other anticipated shortfalls, taking into account historical and reasonably foreseeable differences 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

Electricity vendors are required to ensure that:

Invoices issued to specified consumers include a separate line item for the amount in respect of the clean energy adjustment; and

Clean energy adjustment amounts collected by specified consumers are deposited into a segregated account established for the purpose of receiving those amounts exclusively

If electricity bills are not paid in full by specified consumers, payments shall be allocated to the clean energy adjustment and other amounts payable under the bills on a pro rata basis

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

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 **Financial Services Manager**

Determines the CEA for each month in a reference period and notifies the OEB of the CEA amount

IESO

Provides consumption forecast information and notifies the OEB

2 **OEB**

Determines volumetric rates[1] to invoice Specified Consumers to recover CEA expressed as a cent per kWh

3 **Electricity Vendors**

Invoice Specified Consumers for CEA amount by using volumetric rate set by OEB and report the amount invoiced and collected from consumers to the IESO

4 **Specified Consumers**

Must pay invoice from Electricity Vendors which includes the CEA amount

5 **Electricity Vendors**

Must collect CEA amounts from Specified Consumers, hold amounts in a segregated account and remit CEA amounts to the IESO (separate from any other amount collected and remitted)

6 **IESO**

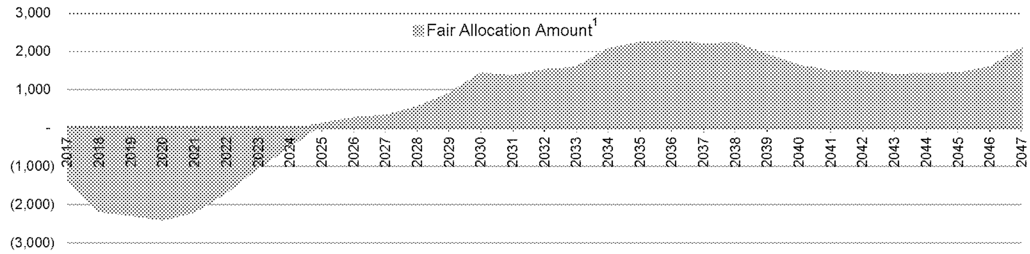
Must receive CEA amounts paid by Electricity Vendors, hold CEA amounts in trust in a segregated account and remit the CEA amounts to the Fair Hydro Trust

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

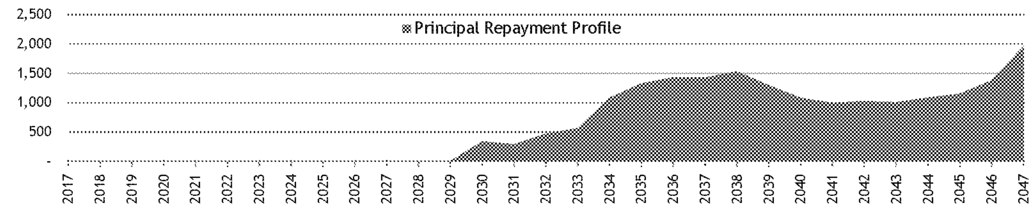
Fair Allocation Amount

- 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

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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.

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V. Financing Program

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VI. Key Risks and Mitigants

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VII. Summary of Offering

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VIII. Investment Highlights

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Appendix - Key Agreement Summaries

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