

BRIEFING NOTE FOR KEN HARTWICK, CFO & SVP ONTARIO POWER GENERATION

Purpose of Meeting

Briefing was offered to MPP MacLeod as the PC Critic to Finance during the Fair Hydro Trust Debt Offering. MPP MacLeod has expressed interest in better understanding the process of the debt offering, and what this means for OPG and the Government of Ontario.

MPP MacLeod has recently taken over the role of PC Critic for Finance. This role was previously held by the now interim leader of the PC party, MPP Vic Fedeli.

Discussion

Fair Hydro Trust

- MPP MacLeod has requested a general overview briefing of the Fair Hydro Trust (FHT).
- A FHT technical deck was supplied to her office upon the completion of the FHT Debt Offering.
- MPP MacLeod will have fundamental knowledge of what the Trust is, and what it accomplishes; however the technical understanding of how it works, will be limited.

Recommendations

- Stick to the basics. Explain what the FHT is.
- What the process was behind the Debt Offering
- MPP MacLeod will more than likely push on 'hot political buttons' such as:
 - Could this have been done cheaper through the Government?
 - How much more did it cost for OPG to administer the Trust?
 - Did OPG want to run the FHT?
 - Did the Government force you to administer the FHT?
- This is a politically charged issue at Queen's Park and an issue the PC Party will likely use as a wedge issue in the upcoming election.
- Although a charged issue – the PC Party has not committed to repel the FHT or change it.

Key Messages

- OPG has the necessary financing and commercial expertise to assist with refinancing the Global Adjustment (GA) and to ensure that it is done in an efficient and cost-effective manner.
- OPG also has a demonstrated track record in the financial markets with its Corporate Debt platform, private placement of insurance linked bonds, participation in securitization programs and highly successful project debt issuances tied to new hydroelectric developments.
- OPG is committed that the Fair Hydro Trust is managed in the most efficient and transparent way, and will publicly report on the Trust through its quarterly financial statements. OPG's financial reports are also filed with the Ontario Securities Commission (OSC) and subject to OSC oversight.

- In addition, the first debt offering for the Fair Hydro Trust was priced at the lowest cost of financing in the Canadian energy sector.

Notable Background

Auditor General Report 2017 – Chapter 3: IESO Audit

- In the following days of the 2017 AG Report, Lisa McLeod named Ontario Power Generation in the Legislature as one of the nine companies in the AG report regarding ‘improper’ billing.
- The PC reaction to the AG report was an immediate call for all funds to be recovered by December 31, 2017
- MPP McLeod, along with MPP Smith, continued their narrative that ‘insider’ executives were expensing car washes, scuba gear, and raccoon traps for their personal benefit.
- The PC party saw an opportunity for political benefit in pitting “wealthy executives” against average workers that are struggling to pay their bills. Implying a causation of high hydro bills to overbilling in their communications and social media.
- PCs are trying to build a narrative that the Liberal Government is continually wasting taxpayers dollars and disrespect the ‘average Ontarian’
- They have speculated for possible criminal activity, having called on the OPP to investigate.
- OPG Government Relations team and CEO Jeff Lyash have since had meetings with PC Critic Todd Smith, and PC Leaders Office to discuss this issue.
- PC party has not brought this issue up since.

Key Messages

- OPG immediately paid back all deemed ineligible costs to the IESO
- The amount of ineligible costs repaid by OPG is deemed settled by IESO.
- There was no intentional overbilling by OPG. OPG rectified the situation immediately.
- Discuss what is meant by scuba gear, it is not at all what they are portraying it to be, and it may be worth noting that they could look quite foolish for not doing their homework on what the costs are actually attributed to.
- OPG is not a ‘bad actor’ trying to ‘game the system’; OPG is consistently providing top quality service to Ontarians at nearly 40% lower cost than any other generator.

Lisa MacLeod, MPP



Lisa MacLeod was first elected to the Ontario Legislature in a byelection in 2006. She has continued to represent the Nepean-Carleton riding after the 2007, 2011, 2014 provincial elections.

Ms. MacLeod is presently the Ontario PC Energy Critic and Francophone Affairs Critic. She serves as Vice Chair of the Legislative Assembly Committee, the Vice Chair of the Quebec-Ontario Parliamentary Friendship Committee and as Ontario's member on the Canadian Parliamentary Women's Association. She previously served as Official Opposition Education Critic, Revenue and Accountability Critic, Government and Consumer Affairs Committee and Critic for Children and Youth. Ms. MacLeod was also Vice Chair of the Government Agencies Committee and a

member of the Public Accounts Committee.

As an MPP, Ms. MacLeod has championed community safety measures such as child protection legislation and a law clamping down on grow ups. She has been a vocal supporter of Ontario's Harness Horse Racing industry and a critic of the green energy act.

Ms. MacLeod authored a cookbook, "I'd Rather Be Baking Cookies: A Collection of Recipes from Lisa MacLeod and Friends", has enjoyed coaching her daughter in sports and is a member of the Royal Canadian Legion, which awarded her the rare Friendship Medal for her work on behalf of veterans.

Before being elected to the Ontario Legislature, Ms. MacLeod served as an advisor to Nepean-Carleton politicians at all three levels of government, spent time as a political commentator on local tv and radio and worked in a management program with Sobeys Inc. She is a graduate of St. Francis Xavier University, holding a B.A. Honours in Political Science. Ms. MacLeod has studied at the Masters level in Intelligence Studies at American Military University.

Lisa MacLeod lives in Nepean with her husband Joseph Varner and their daughter Victoria.