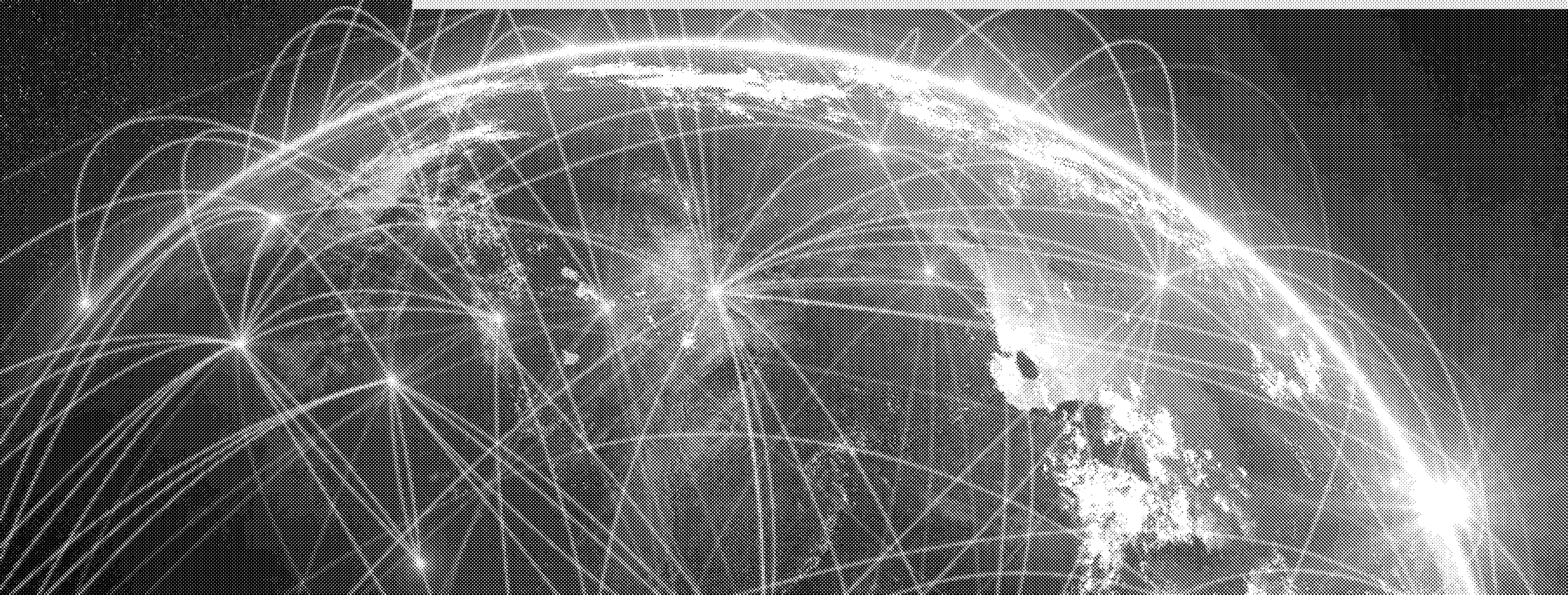
Fair Hydro Trust

2017 Audit Results

December 31, 2017



Building a better working world

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Building a better working world

April 20, 2018

OPG's Management Oversight Committee of the Fair Hydro Trust

Fair Hydro Trust

Dear Members of the Management Oversight Committee,

We are pleased to present the results of our audit of the financial statements of the Fair Hydro Trust ("FHT" or the "Trust"). This report also includes the status of our audit, which we anticipate will be completed on April 25, 2018.

Our audit was designed to express an opinion on the 2017 financial statements. We continue to receive the full support and assistance of the FHT's personnel in conducting our audit. Open and candid dialogue with you, as a Management Oversight Committee member, is a critical step in the audit process, and in the overall corporate governance process and we appreciate this opportunity to share the insights from our audit with you.

At EY, we continually evaluate the quality of our professionals' work in order to deliver remarkable client service. We strive to provide you with audit services of the highest quality that will meet or exceed your expectations, and we encourage you to participate in our Assessment of Service Quality ("ASQ") process to provide your input on our performance. The ASQ process is a critical tool that enables us to monitor and improve the quality of our audit services to the FHT.

This report is intended solely for the information and use of the Management Oversight Committee of the Trust and the Audit and Risk Committee and management of Ontario Power Generation ("OPG"). It is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to meeting with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Tracy Brennan, CPA, CA
Sam Whittaker, CPA, CA

Executive summary: 2017 audit plan and results

After completing our remaining procedures, we expect to issue an unqualified opinion on the financial statements.

Key audit areas*

Audit Plan

Accounting policies and areas of audit emphasis

Corrected and uncorrected misstatements

Important updates*

- Revenue recognition

Open Items

- Obtaining the executed letter of representations from management
- Review of final financial statements
- Obtain and review remaining meeting minutes (or agendas where minutes are not available)
- Review of audit inquiry letters to be received from the Trust's external legal counsel
- Performance of subsequent event procedures through the date of filing of the financial statements

Other topics for discussion*

- Inquiries
- Fair and transparent fees and preapproval of EY services

Appendices:

- Required communications summary
- Engagement Letter
- Annual Independence Letter
- Letter of Representation

* These matters are addressed on the following pages within our presentation.

Note: This report is intended solely for the information and use of the Management Oversight Committee of the Trust and the Audit and Risk Committee and management of OPG. It is not intended to be, and should not be, used by anyone other than these specified parties.

Audit Plan

Executive Summary

Audit Plan

Planning Materiality

At the conclusion of the audit, we formulate our opinion on the financial statements of the Trust as to their fair presentation in all material respects in accordance with United States generally accepted accounting principles ("US GAAP").

Our estimation of planning materiality requires professional judgment and necessarily takes into account qualitative as well as quantitative considerations. Based on the 2017 year-end financial information and the Trust's results, we set the materiality for the audit of the 2017 financial statements to be $11.9 million, which represents 1% of Total Assets as at December 31, 2017.

Planned IT Scope

EY did not consider it an effective audit strategy to test IT general controls during the 2017 audit. Therefore, no IT applications were in scope for testing.

Audit Scope

For purposes of the audit of the financial statements, our audit scope is developed after considering the inherent and control risks and the effectiveness of the organization's internal controls. A variety of factors are considered when establishing the audit scope including size, specific risks, the volumes and types of transactions processed, the business environment, and other factors. Using our cumulative knowledge of the client's business, including the knowledge gained from the current year's procedures that have been completed, we have established that a substantive strategy for all significant accounts will yield the most efficient audit approach.

All accounts of the Trust were determined to be significant based on planning materiality and risk assessment except the following:

- Deferred Issuance Fees
- Unitholders' Capital

Areas of Audit Emphasis

Our audit procedures emphasize testing those accounts, contracts, or transactions where we believe there is the greatest risk of material misstatement to the financial statements, whether due to error or fraud, including disclosure items. We consider the effects of current market risk factors on the Trust, the areas where potential for management bias may exist, and also place emphasis on those areas requiring difficult, subjective, or complex determinations by management with heightened professional skepticism. We reassess our risk assessment and other internal and external factors influencing the Trust throughout our audit. Please refer to the next section titled "Key Audit Areas: Accounting policies and areas of audit emphasis" for areas of audit emphasis. No significant risks or fraud risks were identified for the 2017 financial statement audit.

Key audit areas

Executive Summary

Key audit areas: Accounting policies and areas of audit emphasis

Provided below is a summary of the Trust's significant accounting policies (SAP), which have been applied in accordance United States generally accepted accounting principles (US GAAP) and consistent with industry practice. We did not note any sensitive accounting estimates for the Trust in the 2017 financial statements.

Description of accounting policy	Type	Factors regarding accounting policy	Summary of procedures performed over the Accounting Policies and Area of Emphasis
Financing Receivables Effective May 1, 2017, the Independent Electricity Service Operator ("IESO") began to defer the shortfall from the rate reductions otherwise payable by residential, farm, small businesses and other eligible consumers ("Specified Consumers"). The Act allows the IESO to transfer a portion of the deferred balance to a financing entity that would fund the deferral in exchange for an irrevocable right to recover the balance and associated financing costs from Specified Consumers in the future ("Investment Interest"). In December 2017, the Trust purchased its first tranche of Investment Interest from the IESO in the amount of approximately $1.179 billion. Funding was 51% from senior external debt and 49% was from intercompany debt with Ontario Power Generation Inc ("OPG"). Financing receivables consist of the current and irrevocable right to collect payments from Specified Consumers in the future in accordance with the *Ontario Fair Hydro Plan Act, 2017* (the "Act") and associated general regulation. These amounts are measured at the transaction price entered into with the IESO upon acquisition and subsequently measured on an amortized cost basis. The basis of amortization follows the effective interest method.	SAP	Financing Receivables is a critical accounting policy as it represents a significant asset in the financial statements.	➢ EY concurs with the method of accounting for the financing receivable as a financial asset in accordance with Accounting Standard Codification ("ASC") 310, *Receivables*. ➢ EY verified the existence of the Fair Hydro Trust financing receivables of $1.179 billion by obtaining payment details for the acquisition, confirming transaction details directly with the IESO, and reviewing the relevant agreements to ensure the IESO has the responsibility to pay the Fair Hydro Trust at a later date. ➢ EY assessed the valuation of the financing receivables by recalculating the accretion and evaluating for the financing receivables for any indicators of impairment. ➢ Based on the procedures performed, we believe the Trust's accounting and disclosure for the financing receivables is appropriate and in accordance with US GAAP.

Key audit areas: Accounting policies and areas of audit emphasis (continued)

Description of accounting policy	Type	Factors regarding accounting policy	Summary of procedures performed over the Accounting Policies and Area of Emphasis
Debt FHT records debt for any credit taken on warehouse facilities. The debt is classified as current or non-current depending on the length of time remaining in the warehouse facility. Current and future debt is linked to the purchase of the financial assets from the IESO. All financial assets and financial liabilities are measured at amortized cost. Financial instrument transactions are recorded at fair value on the transaction date.	SAP	Debt is a critical accounting policy as it represents a significant liability in the financial statements.	➢ EY inspected each of the Senior Debt, Subordinated Debt, and Junior Subordinated Debt Indentures to verify the terms and issue date of the $1.179 billion under the revolving warehouse credit facilities. ➢ EY confirmed the balance and terms as at December 31, 2017 directly with the bank for the Senior Debt. ➢ EY assessed the appropriateness of the accounting for deferred issuance costs associated with the warehouse credit facilities and reviewed the accretion schedule. ➢ EY reviewed the bank covenant compliance assessment performed by management as at December 31, 2017. ➢ EY reviewed key agreements, which included the Master Trust Indenture, Subordinated Debt Pricing Protocol, and Fair Hydro Trust Financing Plan to verify the terms and value of the credit facilities as well as determine if there are any liens, pledges, or collateral on the debts incurred. ➢ EY recalculated the interest expense to ensure it was accurately recoded for the period. ➢ Based on the procedures performed, we believe the Trust's accounting and disclosure for the debt is appropriate and in accordance with US GAAP.

Key audit areas: Accounting policies and areas of audit emphasis (continued)

Description of accounting policy	Type	Factors regarding accounting policy	Summary of procedures performed over the Accounting Policies and Area of Emphasis
Revenue Revenue is recognized as earned when the related expense is incurred or accrued. Collection of carrying costs from the IESO up to July 31, 2021 is considered to be reasonably assured, as the IESO is required by the general regulation of the Act to pay the carrying costs of the Trust up to this date. The Trust is considered the principal for the cost recovery revenue related to Trust-incurred third party costs, while it is considered an agent acting on behalf of OPG for cost recovery revenue related to OPG's fees as Financial Services Manager. Accordingly, the Trust reports cost recovery revenue related to Trust-incurred third party costs on a gross basis, while revenue related to OPG's management fees payable to OPG, including OPG-incurred third party costs and direct costs of OPG employees exclusively dedicated to the activities of the Trust are reported net of the related costs. All cost recovery revenue is charged without margin.	SAP	Revenue recognition is a significant accounting policy as it is a significant part of the Trust's operations.	- EY concurs with management's assessment that the Trust is the principal for cost recovery revenue related to Trust-incurred third party costs and an agent for cost recovery revenue related to OPG's fees as Financial Services Manager. - EY concurs with management's accounting policy for the timing of revenue recognition as earned when the related expense is incurred or accrued pursuant to the general regulation of the Act. - EY tested the occurrence and accuracy of underlying expenses incurred or accrued by agreeing to supporting documentation on a sample basis and ensuring the costs are eligible for reimbursement under the general regulation. - EY assessed whether revenue was appropriately recorded on a gross or net basis in accordance with the accounting policy. - EY reviewed the revenue related to the interest accrued on the financing receivable as part of the "Financing Receivables" section. - Based on the procedures performed, we believe the Trust's accounting and disclosure for revenue is appropriate and in accordance with US GAAP.

Key audit areas: Accounting policies and areas of audit emphasis (continued)

Description of accounting policy	Type	Factors regarding accounting policy	Summary of procedures performed over the Accounting Policies and Area of Emphasis
Related Party Transactions As FHT's majority unitholder, FHP2017 Inc., is a wholly-owned subsidiary of OPG and as the Province of Ontario owns all of the shares of OPG, related parties of the Trust include the Province of Ontario, and entities controlled by the Province of Ontario including the IESO. The transactions between the Trust and related parties are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.	SAP	Related party transactions is a significant accounting policy as the Trust's activity have significant involvement from related parties.	➢ EY concurs with the accounting policy for related party transactions in accordance with US GAAP. ➢ Through inquiry of management and review of the legislation, regulations and key agreements, EY obtained an understanding of the nature of the related party transactions and whether those transactions are in the normal course of business. EY reviewed the disclosure in the financial statements for completeness of related party transactions. ➢ Based on the procedures performed, we believe the Trust's accounting and disclosure for related party transactions is appropriate and in accordance with US GAAP.

Key audit areas: Corrected and uncorrected misstatements

During the course of our audit, we accumulate differences between the amount, classification, presentation and disclosure of a financial statement item recorded or reported by the Trust and the amount, classification or presentation and disclosure that we believe is required to be recorded or reported under US GAAP.

We also identify those significant disclosures required in the 2017 financial statements of the Trust, that we believe were not adequately reflected.

There are no corrected or uncorrected misstatements above our nominal amount that have been identified through the date of this report. There are also no significant disclosure differences identified through the date of this report.

Important updates

Executive Summary

Important update: Revenue recognition

The revenue standard will change the way many companies measure and recognize revenue and will expand the disclosure requirements for all companies. More judgments and estimates may be required across multiple business functions than in the past. Companies should be timely executing on a well-developed plan to implement the standard.

Observations related to management's implementation

- FHT has developed and completed its project plan.
- FHT has completed the scoping of revenue streams, which include:
  - Cost recovery revenue from the IESO for all carrying costs incurred under the Fair Hydro Plan.
- FHT has completed its analyses of the impact of the standard on all of its revenue streams, and has not identified any material differences in the timing or amount of revenue recognition.

Summary of audit procedures performed related to the implementation

- Gathered evidence to support the OPG's entity level controls
- Obtained and documented our understanding of the OPG and the Trust's processes for implementing ASC 606
- Identified and assessed risks of material misstatement related to adoption
- Performed substantive testing over review of contracts
- Reviewed draft disclosures made by the entity on the impact of the adoption of the new standard
- Based on the procedures performed, we believe the Trust's disclosure in the 2017 year end financial statements is appropriate and in accordance with US GAAP.

Relevant materials are available at http://www.ey.com/gl/en/issues/ifrs

Other topics for discussion

Inquiries

We made inquiries of management during the planning phase related to fraud and other matters, that helped inform our audit strategy and the execution of our audit procedures. Please inform us of any matters of which you believe we should be aware, including, but not limited to the following:

- Your views about the risks of material misstatements due to fraud, including the risks of management override of controls
- Your knowledge of any actual, alleged or suspected fraud
- Your awareness of tips or complaints regarding the Trust's financial reporting (including those received through the audit committee's own "whistleblower" program, if any) and its response to such tips and complaints
- How you exercise oversight over the Trust's assessment of fraud risks and the establishment of controls to address these risks
- Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- Your understanding of the Trust's relationships and transactions with related parties that are significant to the Trust
- Whether any member of the audit committee has concerns regarding relationships or transactions with related parties and, if so, the substance of those concerns
- Whether the Trust has entered into any significant unusual transactions

Fair and transparent fees and preapproval of EY services

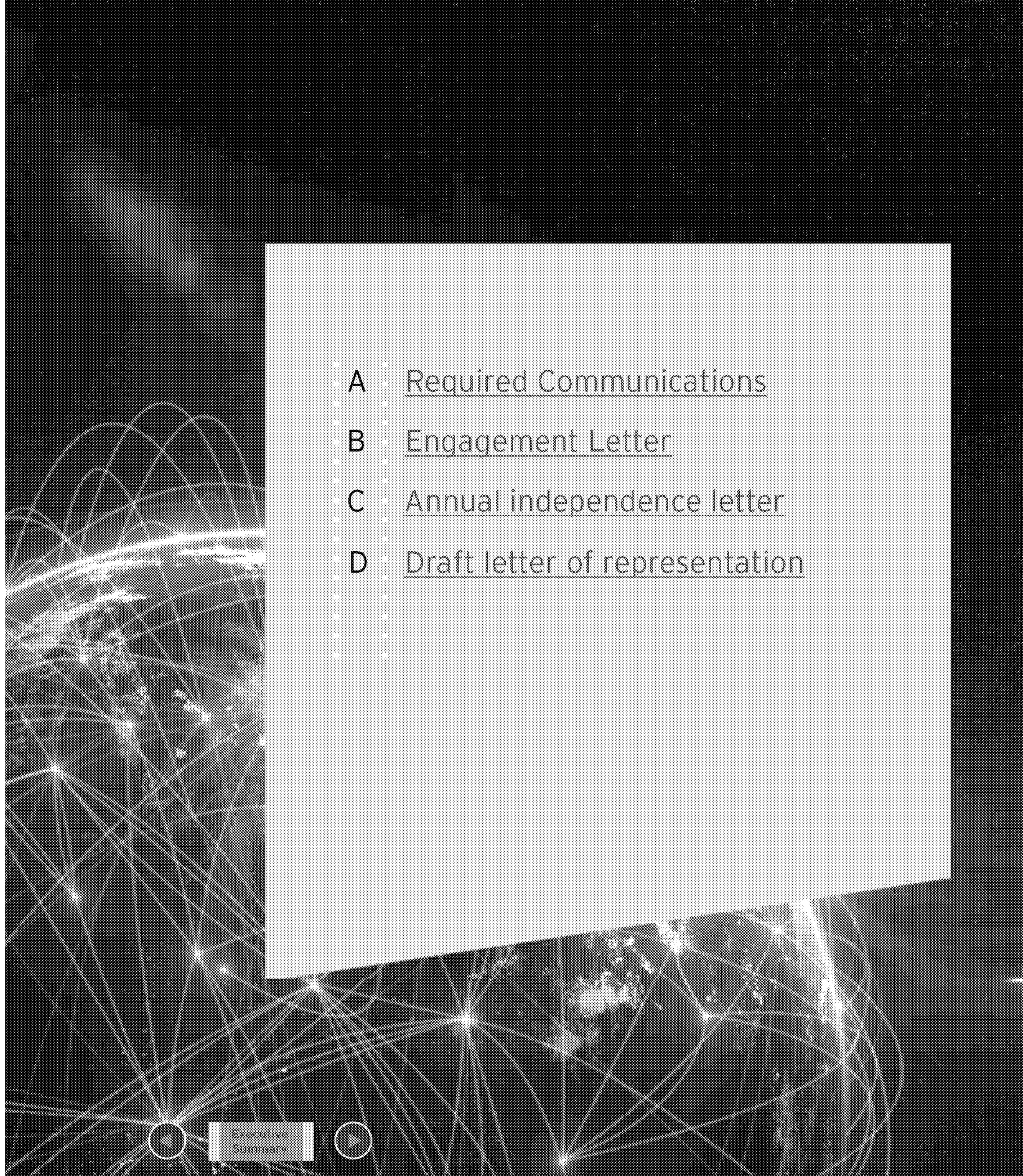
Fair and transparent fees and Preapproval of EY services

OPG, as the Financial Services Manager of the Trust has appointed EY to perform the audit of the Trust's 2017 financial statements.

Accordingly, Canadian rules and regulations require that OPG's Audit and Risk Committee pre-approve all services provided by the principal auditor of an issuer prior to being engaged to provide such services.

The Fair Hydro Trust audit fees have been pre-approved and were included in the management fees schedule in the package to OPG's Audit and Risk Committee on March 6, 2018.

Appendices



Executive Summary

Appendix A: Required Communications

Executive Summary

Appendix A: Required communications: Summary

Provided below is a summary of required communications between the audit team and the audit committee as required by Canadian GAAS.

Area	Comments
Overall audit strategy, timing of the audit and significant risks identified and any changes thereto	Refer to discussion of the audit plan within the section "Audit Plan".
Auditor's responsibility under Canadian GAAS, including discussion of the type of opinion we are issuing	We described the auditor's responsibility in the engagement letter that is provided to you in Appendix B. We currently expect to issue an unqualified opinion on the Trust's financial statements as at and for the period ended December 31, 2017.
Significant accounting policies and practices, including qualitative aspects and our assessment of management's disclosures	We have included a discussion of significant accounting policies within the section titled "Key audit areas: Accounting policies and areas of audit emphasis". There are no policies in controversial areas or areas for which there is a lack of authoritative guidance.
Sensitive accounting estimates, including our conclusion regarding reasonableness	We have provided our views regarding critical accounting estimates in the section titled, "Key audit areas: Accounting policies and areas of audit emphasis". No sensitive accounting estimates have been identified.
Related party relationships and transactions	No significant matters arose during the audit in connection with the Trust's related party transactions, other than the related party transactions disclosed in the notes to the financial statements. Please refer to further discussion in the section titled, "Key audit areas: Accounting policies and areas of audit emphasis".
Significant unusual transactions	We are not aware of any significant unusual transactions executed by the Trust or of any significant accounting policies used by the Trust related to controversial or emerging areas for which there is a lack of authoritative guidance.
Material alternative accounting treatments discussed with management	None.
Corrected misstatements, related to accounts and disclosures	There were no corrected misstatements related to accounts or disclosures for the 2017 audit.

Required communications: Summary (cont'd)

Area	Comments
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial	There were no uncorrected misstatements related to accounts or disclosures for the 2017 audit.
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements	This is not applicable, as the Trust does not have other information in documents containing audited financial statements at this time.
Other findings or issues regarding the oversight of the financial reporting process	There are no findings or issues arising from the audit that are, in our judgment, significant and relevant to the Management Oversight Committee regarding the oversight of the financial reporting process.
Fraud and non-compliance with laws and regulations (illegal acts)	We are not aware of any matters that require communication.
Independence matters	Our independence letter is included in Appendix C to these materials.
Audit committee preapproval of services	Refer to the "Fair and transparent fees and preapproval of EY services" section for further details.
Fees and related regulatory disclosures	Refer to the independence letter in Appendix C of this report.
Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention	None.
Significant difficulties encountered in dealing with management when performing the audit	None.
Disagreements with management	None.
Management's consultations with other accountants	None of which we are aware.

Required communications: Summary (cont'd)

Area	Comments
Other material written communications with, and representations sought from management	• 2017 engagement agreement is included in Appendix B • Our independence letter is included in Appendix C of this report. • Our draft letter of representation is included in Appendix D of this report
Subsequent events	EY assessed the appropriateness of the subsequent event disclosure relating to the Fair Hydro Trust, including validating the accuracy of the amounts by agreeing to underlying evidence. EY will continue to monitor subsequent events through the date of approval of the financial statements.
Findings regarding external confirmations	None.

All communications are to be made annually unless marked otherwise.

* Communicate when event occurs, at least annually

** Communicate when event occurs

Appendix B: Engagement Letter

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Building a better working world

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Mr. John Lee
Vice President, Treasurer
Fair Hydro Trust
c/o Ontario Power Generation Inc.
700 University Avenue, Suite H18A6
Toronto, Ontario M5G 1X6

17 April 2018

Dear Mr. Lee:

1. This Engagement Agreement, together with the attached General Terms and Conditions, (collectively, this "Agreement"), confirms the terms and conditions upon which Ernst & Young LLP ("we" or "EY") has been engaged to audit and report on the financial statements of Fair Hydro Trust (the "Trust") for the period ended 31 December 2017.

   The services described in this paragraph may hereafter be referred to as either the "Audit Services" or the "Services."

Audit responsibilities and limitations

2. The objective of the audit is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Trust in accordance with United States generally accepted accounting principles ("US GAAP"). Should conditions not now anticipated preclude us from completing the audit and issuing a report (the "Report") as contemplated by this Agreement, we will advise you and those charged with governance promptly and take such action as we deem appropriate.

3. We will conduct the audit in accordance with Canadian generally accepted auditing standards as promulgated by the Chartered Professional Accountants of Canada ("CPA Canada"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether due to fraud or error. There are inherent limitations in the audit process, including, for example, the use of judgment and selective testing of data and the possibility that collusion or forgery may preclude the detection of material error, fraud, or non-compliance with laws and regulations. Accordingly, there is some risk that a material misstatement of the financial statements may remain undetected. Also, an audit is not designed to detect fraud or error that is immaterial to the financial statements.

4. As part of the audit, we will consider, solely for the purpose of planning the audit and determining the nature, timing and extent of our audit procedures, the Trust's internal control over financial reporting. This consideration will not be sufficient to enable us to express an opinion on the effectiveness of internal control or to identify all significant deficiencies.

5. In accordance with the standards established by CPA Canada, we will communicate certain matters related to the conduct and results of the audit to those charged with governance. Such matters include:

- Our responsibility under Canadian generally accepted auditing standards for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance and that such an audit does not relieve management and the Audit Committee of their responsibilities;

- An overview of the planned scope and timing of the audit;

- Significant findings from the audit. Significant findings from the audit include: (1) our views about the significant qualitative aspects of the Trust's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures; (2) significant difficulties, if any, encountered during the audit; (3) uncorrected misstatements, other than those we believe are trivial; (4) disagreements with management, if any, whether or not satisfactorily resolved; and (5) other matters, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process, including significant matters in connection with the Trust's related parties; and

- Written representations requested from management and significant matters, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

Changes to the scope of the Audit Services may occur as a result of the issuance of new standards and interpretations or inspections findings. We will communicate any significant changes in the scope of the Audit Services and related procedures to management and the Audit and Risk Committee on a timely basis.

6. We will obtain pre-approval from the Audit and Risk Committee for any services we are to provide to the Trust pursuant to the Audit and Risk Committee's pre-approval process, policies and procedures. In addition, in accordance with Canadian generally accepted auditing standards, we will communicate in writing to the Audit and Risk Committee any relationships between EY, its partners and professional employees and the Trust (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to the Trust to those charged with governance.

7. In addition, we will communicate all relationships and other matters between EY, other member firms of the global Ernst & Young organization ("network firms") and the Trust that, in our professional judgment, may reasonably be thought to bear on independence (including total fees charged during the period covered by the financial statements for audit and non-audit services provided by EY and network firms to the Trust and components controlled by the Trust) and the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level. Further, we will confirm that the engagement team and others in EY as appropriate, EY and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

8. If we determine that there is evidence that fraud or possible non-compliance with laws and regulations may have occurred, we will bring such matters to the attention of the appropriate level of management. If

we become aware of fraud involving management or fraud involving employees who have significant roles in internal control or others where the fraud results in a material misstatement of the financial statements, we will report this matter directly to the Audit and Risk Committee. We will communicate with the Audit and Risk Committee matters involving non-compliance with laws and regulations that come to our attention unless they are clearly inconsequential.

9. We will communicate in writing significant deficiencies in internal control identified during the audit of the Trust's financial statements.

10. We also may communicate our observations as to the potential for economies in, or improved controls over, the Trust's operations.

11. The Services will not be planned or conducted with respect to the interests or requirements of third parties (i.e. parties other than those to whom the Report is addressed).

12. You may not disclose the Report or refer to us or any other EY Firm in any document that is filed or distributed in connection with (i) a purchase or sale of securities or (ii) periodic or continuous obligations under any applicable securities laws.

Management's responsibilities and representations

13. The audit will be conducted on the basis that management and where appropriate, the Audit and risk Committee, acknowledge and understand that they have responsibility:

    (a) For the preparation and fair presentation of the financial statements in accordance with US GAAP;

    (b) For such internal control as management determines is necessary to enable the preparation of the financial statements that are free of material misstatement, whether due to fraud or error; and

    (c) To provide us with: 1) access, on a timely basis, to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters; 2) additional information that we may request from management for the purpose of the audit; and 3) unrestricted access to persons within the Trust from whom we determine it necessary to obtain audit evidence.

    Management's failure to provide us with the information referred to above or access to persons within the Trust may cause us to delay our report, modify our procedures, or even terminate the engagement.

14. Management is also responsible for adjusting the financial statements to correct material misstatements identified by us during the applicable Audit Service and pertaining to the latest period presented and for affirming to us in its letter of representations that they believe the effects of unrecorded misstatements are immaterial, individually and in aggregate, to the financial statements as a whole.

15. Management is responsible for communicating to us on a timely basis all instances of alleged, identified or suspected non-compliance with laws and regulations that could have an effect on the financial statements or the effects of which should be considered by management when preparing the financial statements, and all instances of alleged, identified or suspected financial improprieties of which management or the Audit and Risk Committee is aware (regardless of the source or form in which they may have been discovered or communicated to them and including, without limitation, instances identified by "whistle-blowers," employees, former employees, analysts, regulators or others), and providing us full access to information and any internal investigations related to them. Such instances include, without limitation, manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other alleged, identified or suspected instances of non-compliance with laws and regulations or fraud that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Trust. If the Trust limits the information otherwise available to us under this paragraph (based on the Trust's claims of solicitor/client privilege, litigation privilege, or otherwise), the Trust will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of the audit and may prevent us from opining on the Trust's financial statements; prevent us from consenting to the inclusion of previously issued auditors' reports in future Trust filings; alter the form of report we may issue on such financial statements; or otherwise affect our ability to continue as the Trust's independent auditors. We will disclose any such withholding of information to the Audit and Risk Committee.

16. We will make specific inquiries of management about the representations contained in the financial statements. At the conclusion of the audit, we will also obtain written representations from management about these matters, and that management: (1) has fulfilled its responsibility for the preparation and fair presentation of the financial statements in accordance with US GAAP and that all transactions have been recorded and are reflected in the financial statements; and (2) has provided us with all relevant information and access as contemplated in this Agreement. The responses to those inquiries, the written representations, and the results of our procedures comprise evidence on which we will rely in forming an opinion on the financial statements.

17. Management of the Trust is responsible for advising us of any documents or other information provided during the course of the audit over which it intends to assert a claim of privilege and should mark any such documentation accordingly as further described in the attached additional Terms and Conditions (refer to the provision captioned "*Canadian Public Accountability Board*").

Reporting

18. At the conclusion of the Audit Services, we anticipate issuing our auditors' report in the form specified by Canadian Auditing Standard 700, *Forming an Opinion and Reporting on Financial Statements*, paragraphs 20 to 45. There may be circumstances in which our auditors' report may differ from its anticipated form and content.

Fees and billings

19. We estimate that our fees for the 2017 Audit Services will be $98,000 for Fair Hydro Trust. However, our actual fees may exceed the top of this range based on changes to the business (e.g., nature of the business or change in business entities) or other matters within the scope of the audit that were not provided for in the estimated fee range. We will submit our invoice in April 2018, and payment will be made upon receipt.

20. Our estimated pricing and invoicing schedule are based upon, among other things, our preliminary review of the Trust's records and the representations Trust personnel have made to us and are dependent upon the Trust's personnel providing a reasonable level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of records, degree of cooperation, results of our audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimates are based, we may adjust our fees and planned completion dates. Fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and will be the subject of other written agreements. Circumstances that may significantly affect the targeted completion dates and our fee estimate include, but are not limited, to the following :

    Audit facilitation

    (a) Changes to the timing of the engagement at the Trust's request;

    (b) Audit schedules are not (i) provided by the Trust on the date requested, (ii) completed in a format acceptable to EY, (iii) mathematically correct, or (iv) in agreement with Trust records (e.g., general ledger accounts);

    (c) Significant delays in responding to our requests;

    (d) Deterioration in the quality of the Trust's accounting records during the current year in comparison to the prior year;

    (e) A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the Trust;

    (f) Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the Trust;

    (g) The engagement team, while performing work on the Trust's premises, is not provided with high-speed access to the Internet for purposes of conducting the engagement.

<u>Significant issues or changes</u>

(a) Significant deficiencies are identified in the Trust's internal control over financial reporting that result in the expansion of our audit procedures;

(b) A significant level of proposed audit adjustments;

(c) A significant number of financial statement drafts are submitted for our review or a significant level of disclosure deficiencies in the draft financial statements;

(d) Significant new issues or changes, such as new accounting issues, changes in accounting policies, events or transactions not contemplated in our budgets, changes in the Trust's financial reporting or IT systems, or changes in the Trust's personnel, their responsibilities or their availability;

(e) Changes in audit scope caused by events that are beyond our control.

21. In addition, fees for any consent to the use of the audit report will be billed separately from the fees referred to above and may be the subject of other written agreements supplemental to those in this Agreement.

22. Canadian securities legislation requires that any reporting issuer filing an auditors' report dated on or after 30 March 2004 must have that report signed by an auditing firm that has registered with the Canadian Public Accountability Board ("CPAB"). Audit firms registered with CPAB are required to fund CPAB's costs. Fees are levied based on the most recent audit fees as defined by CPAB, charged by the Canadian firm and reported in our registration information. We will bill all reporting issuer clients a portion of the CPAB levy on a recovery basis. Your proportionate share will be based upon the most recent audit fees reported to CPAB and billed for your engagement, multiplied by the annual levy rate set by CPAB. CPAB sets the rate annually and the fee for the most recent year that has been determined was 2.0% of audit fees; however, the fee is subject to adjustment by CPAB. This amount will be charged at the effective CPAB rate annually and will be billed when the annual invoice is received from CPAB.

Fair Hydro Trust Indenture

23. In connection with the Fair Hydro Trust Indenture dated December 21, 2017, EY:

(a) acknowledges and agrees in favour of the Indenture Trustee that it is a Specified Creditor hereunder and its entitlements as a Specified Creditor are subject to the provisions applicable to Specified Creditors under this Indenture including, without limitation, Sections 7.04 through 7.11 and 8.13 (Payment Priorities), Section 7.12 (Payments Held in Trust), Section 8.11 (Control by Controlling Class Creditors), Section 8.12 (Limitation on Suits), Section 8.14 (Limited Recourse), Article IX (Indenture Trustee) (including all limitations of liability thereunder), Section 9.14 (Communications to Specified Creditors) and Section 16.01 (No Petition);

(b) except in the case of the Province, irrevocably authorizes and directs the Indenture Trustee on its behalf to take such action (including the execution and delivery of documents of subordination) as may be necessary or appropriate to further assure the priority arrangements provided for in Article VI, Article VII and Section 8.13, and appoints the Indenture Trustee as its agent for any and all such purposes; and

(c) consents, requests and authorizes the Issuer and the Indenture Trustee to (i) add such Specified Creditor (or its agent) to the register of Specified Creditors described in Section 13.13 and (ii) disseminate the notice details of such Specified Creditor to other Specified Creditors for the purposes set out in subsection 9.14(b).

We appreciate the opportunity to be of assistance to the Trust. If this Agreement accurately reflects the terms and conditions on which the Trust has agreed to engage us, please sign below on behalf of the Trust and return it to Tracy Brennan, EY Tower, 100 Adelaide Street West, P.O. Box 1, Toronto, Ontario M5H 0B3.

Yours very truly,

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Per Tracy Brennan, CPA auditor, CA

Agreed:
Fair Hydro Trust

By: John Lee
Name: Mr. John Lee
Title: Vice President, Treasurer

I have the authority to bind the Trust.

General Terms and Conditions

Our relationship with you

1. We are a member of the global network of EY firms ("**EY Firms**"), each of which is a separate legal entity.

2. We may subcontract portions of the Services to other EY Firms, as well as to other service providers, who may deal with you directly. Nevertheless, we alone will be responsible to you for the Report(s), the performance of the Services, the acts and omissions of any EY Person (as defined in Section 10), and our other obligations under this Agreement.

Your responsibilities

3. You shall be responsible for your personnel's compliance with your obligations under this Agreement.

Our reports

4. You may not rely on any draft Report.

Notice re: Québec

5. [Intentionally deleted]

Limitations

6. You (and any others for whom Services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, any consequential, incidental, indirect, punitive or special damages in connection with claims arising out of this Agreement or otherwise relating to the Services, including any amount for loss of profit or for loss of data or goodwill, whether or not the likelihood of any such loss or damage was contemplated.

7. Our total aggregate liability to you (and any others for whom Services are provided) for any loss or damage arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to us for the Services and (ii) $1,000,000. This limitation applies regardless of whether our liability arises under contract, tort (including negligence), statute or otherwise. This limitation will not limit liability for loss or damage caused by our fraud or willful misconduct or to the extent prohibited by applicable law or professional regulations. This limitation will also not limit liability for bodily injury, personal injury or property damage caused by our negligence or willful misconduct.

8. If we are liable to you (or to any others for whom Services are provided) under this Agreement or otherwise in connection with the Services, for loss or damage to which any other persons have also contributed, our liability to you shall be several and not joint and several, solidary or *in solidum*, with such others, and shall be limited to our proportionate share of that total loss or damage, based on our contribution to the loss and damage relative to the others' contributions. No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment. For greater certainty, the foregoing shall not operate to exclude or limit EY's liability for the acts or omissions of EY Persons (as defined in Section 10).

9. [Intentionally deleted]

10. You may not make a claim or bring proceedings relating to the Services or otherwise under this Agreement against any other EY Firm or our or its subcontractors, members, shareholders, directors, officers, partners, principals or employees ("**EY Persons**"). You shall make any claim or bring proceedings only against us. Sections 6 through 8 and this Section 10 are intended to benefit the other EY Firms and all

EY Persons, who shall be entitled to rely on and enforce them.

Indemnity

11. On behalf of yourself and your affiliates, you release us, the other EY Firms and the EY Persons from all claims and causes of action (together, "**Claims**"), pending or threatened, that you or they may have arising out of the Services or this Agreement to the extent such Claims result from or arise out of any misrepresentation or fraudulent act or omission by you, your employees or agents on your behalf.

11A. To the fullest extent permitted by applicable law and professional regulations, EY shall indemnify and hold you harmless from and against all claims by third parties (including your affiliates) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of or relating to the wilful misconduct or fraud of EY or any EY Persons or agents acting on our behalf.

11B. EY agrees to put in effect and maintain for the term of this Agreement, at its own cost and expense, all the necessary and appropriate insurance that a prudent person in the business of EY would maintain, including but not limited to Commercial General Liability insurance and Professional Liability (Errors & Omissions) insurance, each with a limit of minimum $2,000,000. Upon request EY shall provide you with proof of the required insurance.

Confidentiality

12. We follow professional standards of confidentiality and will treat information related to you disclosed to us by you or on your behalf ("**Client Information**") as set forth in the Rules of Professional Conduct of provincial Institutes of Chartered Accountants or the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec* (as applicable).

13. Either of us may use electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations under this Agreement.

14. We may provide Client Information to other EY Firms (which are listed at www.ey.com), EY Persons, and service providers to EY and other EY Firms, all of whom may collect, use, transfer, store or otherwise process (collectively "**Process**") it in various jurisdictions in which we and they operate in order to facilitate performance of the Services, to comply with regulatory requirements, to check conflicts, to provide technology or administrative services, or for quality, risk management or financial accounting purposes. We shall be responsible to you for maintaining the confidentiality of Client Information, regardless of where or by whom such information is Processed on our behalf. EY acknowledges that you might not have an adequate remedy at law for money damages if EY fails to fulfill any of its obligations under Sections 12, 14 or 18. Accordingly, you will be entitled to seek any injunction, specific performance or other remedy in law or equity, in respect of any breach or threatened breach of Sections 12, 14 or 18..

14A. EY acknowledges that you are subject to the *Freedom of Information and Protection of Privacy Act* (Ontario), as amended from time to time ("**FIPPA**"), and the *Ontario Energy Board Act*, as amended from time to time (collectively "**OEB Legislation**") which may require the disclosure of records to third parties. Your obligations under this Agreement are subject to the requirements of FIPPA and OEB Legislation, despite any other term of this Agreement. In the event of a FIPPA and/or OEB Legislation disclosure request affecting EY, you shall provide prompt notice to EY and shall cooperate in any reasonable efforts by EY to avail itself of any exemptions or protections afforded by FIPPA and/or OEB Legislation. Subject to the foregoing, you shall not be liable in any way whatsoever to EY if such information is disclosed based on an order or decision of the Information and Privacy Commissioner of Ontario, Ontario Energy Board or otherwise as required under governing law.

Canadian Public Accountability Board

15. EY may from time to time receive requests or orders from the Canadian Public Accountability Board ("**CPAB**") to provide them with information and copies of documents in our files, including our working papers and other work-product relating to your affairs. You acknowledge that EY will provide these documents and information without further reference to, or authority from, you. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of our audit of you, EY will promptly advise you of the request or order.

16. You must mark any document over which you assert privilege as privileged and inform us of the grounds for your assertion of privilege (such as whether you claim solicitor-client privilege or litigation privilege). EY will use reasonable efforts to refuse access to any document over which you have expressly informed us that you assert privilege, unless providing access to privileged documents is required by the laws of any jurisdiction that you or EY are subject to.

17. We will also be required to provide CPAB with information relating to the fees that you pay us for audit services, other accounting services and non-audit services (and you agree to the disclosure of such information to CPAB).

Data protection

18. EY, the other EY Firms and our respective service providers may Process Client Information that can be linked to specific individuals ("**Personal Data**") in various jurisdictions in which we and they operate, for the purposes described in section 14. All Personal Data will be Processed in accordance with applicable law and professional regulations. We will require any service provider that Processes Personal Data on our behalf to adhere to such requirements and we shall be responsible to you for maintaining the confidentiality of Personal Data, regardless of where or by whom such Personal Data is Processed on our behalf. Our Canadian privacy policy is available at www.ey.com/ca.

19. You warrant that you have the authority to provide the Personal Data to us in connection with the performance of the Services and that the Personal Data provided to us has been Processed in accordance with applicable law.

Solicitation and hiring of EY personnel

20. Our auditor independence may be impaired if you solicit or hire certain EY personnel. This may either delay the provision of the Services or cause us to resign from the engagement. You shall not, during the term of this Agreement, and for 12 months following its termination for any reason, without our prior written consent, solicit for employment or hire in any role, including a position on your Board of Directors, any current or former partner or professional employee of EY, any affiliate thereof, any other EY Firm or any of their respective affiliates, if any such person either: i) performed any audit, review, attest or related service for or relating to you at any time (a) since the date on which your most recent audited financial statements were filed with the relevant securities regulator(s) or stock exchange(s) (or, since the beginning of the most recent fiscal year to be covered by your first such financial statements, if applicable), or (b) in the 12 months ended the date on which your most recent financial statements were filed with the relevant securities regulator(s) or stock exchange(s); or (ii) influences EY's operations or financial policies or has any capital balances or any other continuing financial arrangement with EY.

Fees and expenses generally

21. You shall pay our professional fees and expenses in connection with the Services. In lieu of specific itemized charges, our technology tools, administrative support personnel, printing and other routine expenses are charged at 5% of our professional fees. Invoices will be in such detail and format as specified by you. You will aggregate all outstanding invoices received and approved by you for payment before the 25th of each month. Subject to any withholdings required by law, statute or regulation, you will pay EY this aggregate amount on the 25th or following business day if the 25th falls on a non-

business day of the following month. Subject to auditor independence, all payments are conditional however, on EY fulfilling its obligations and making satisfactory progress in providing the Services before the date payment is made. Subject to auditor independence, you will determine whether or not such obligations have been fulfilled and progress is satisfactory. All payments will be made by electronic funds transfer. EY will deliver to you suitable electronic transfer instructions from time to time. If at any time during the performance of the work there are deficiencies in the work, including non-delivery of an acceptable final report, then subject to auditor independence you will have the right to withhold from any invoice an amount that, in your opinion, takes into account the deficiencies. Any amount withheld will be paid on the 25th of the following month or following business day, after your approval of the correction of deficiencies. EY may suspend performance of the Services in the event you fail to pay our invoices. Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs imposed in respect of the Services, all of which you shall pay (other than taxes imposed on our income generally).

22. If we are required by applicable law, legal process or government action to produce information or personnel as witnesses with respect to the Services or this Agreement, you shall reimburse us for any professional time and expenses (including reasonable external and internal legal costs) incurred to respond to the request, unless we are a party to the proceeding or the subject of the investigation.

Force majeure

23. Neither party shall be liable to the extent that such party is delayed in or prevented from complying with its obligations hereunder, in whole or in part, by any cause, except financial, beyond the reasonable control of the affected party, including, but not limited to: (i) acts of God or the Queen's enemies, (ii) war, (iii) laws, orders or regulations of governmental bodies or agencies, and (iv) strikes, labour disputes and unavoidable accidents.

Term and termination

24. This Agreement applies to the Services whenever performed (including before the date of this Agreement).

25. This Agreement shall terminate on the completion of the Services. We may terminate this Agreement, or any particular Services, immediately upon written notice to you if we reasonably determine that we can no longer provide the Services in accordance with applicable law or professional obligations.

26. You shall pay us for all work-in-progress, Services already performed, and expenses incurred by us up to and including the effective date of the termination of this Agreement.

27. The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement.

Governing law and dispute resolution

28. This Agreement, and any non-contractual matters or obligations arising out of this Agreement or the Services, shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law.

29. Any dispute, claim or other matter arising out of or relating to this Agreement or the Services shall be subject to the exclusive jurisdiction of the Ontario courts, to which each of us agrees to submit for these purposes.

Miscellaneous

30. This Agreement constitutes the entire agreement between us as to the Services and the other matters it covers, and supersedes all prior agreements, understandings and representations with respect thereto, including any confidentiality agreements previously delivered. In addition, any policy, protocol, agreement (other than this Agreement) or other instrument, in whatever form, imposed at any

time that purports to obligate EY, any other EY Firm or any EY Person with respect to the use of Client Information shall be void and of no further effect, and you shall not seek to enforce any such obligation.

31. Both of us may execute this Agreement (as well as any modifications to it) by electronic means and each of us may sign a different copy of the same document. Both of us must agree in writing to modify this Agreement.

32. Each of us represents that the person signing this Agreement on its behalf is expressly authorized to execute it and to bind such party to its terms.

33. We retain ownership in the working papers compiled in connection with the Services.

34. Neither of us may assign any of our rights, obligations or claims arising out of or related to this Agreement or the Services without the prior written consent of the other party (consent not to be unreasonably withheld).

35. If any provision of this Agreement (in whole or part) is held to be illegal, invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.

36. If there is any inconsistency between provisions in different parts of this Agreement, those parts shall have precedence as follows (unless expressly agreed otherwise): (a) the letter to which these General Terms and Conditions are attached, (b) these General Terms and Conditions, and (c) other annexes to this Agreement.

37. Without limiting any other terms of this Agreement, Sections 6 through 11, 14 and 18 are intended to benefit the other EY Firms and all EY Persons, who shall be entitled to rely on and enforce them.

38. We are a registered limited liability partnership ("**LLP**") continued under the laws of the province of Ontario and we are registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, an LLP partner is not personally liable for the debts, obligations or liabilities of the LLP arising from the negligence of persons not under his or her direct supervision (including other LLP partners) or most other debts or obligations of the LLP. As an LLP, we are required to maintain certain insurance. Our insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute of Chartered Accountants/ Order of Chartered Professional Accountants.

39. EY will comply withall applicable anti-corruption laws and policies, including as applicable the *Foreign Corrupt Practices Act* (U.S.), the *Corruption of Foreign Public Officials Act* (Canada), the *Bribery Act* (U.K.) (collectively "**Anti-corruption Laws**"). EY represents and warrants that it has instituted and maintains policies and procedures designed to ensure, and which are reasonably expected to continue to be designed to ensure, compliance with Anti-corruption Laws.

40. EY will keep proper accounts and records of the Services in accordance with generally accepted accounting principles. We will provide you on reasonable request with information to substantiate fees and expenses we have charged to you. Accounts and records will be preserved until the expiration of seven (7) years from the date of completion or termination of the services or such other time period as is mandated by law, professional regulation or our internal policies.

41. For the purposes of this Section 41:

"Cyber Deliverables" means (i) any computing hardware, software or other computing or information technology provided by EY that (a) has the ability to impact the availability, integrity, or confidentiality of Your Systems and Information, and (b) may form part of, may be connected to, or may be used to access Your Systems and Information; or (ii) any application, infrastructure, or project services provided by EY in relation to (i); except in respect of (i) and (ii) where you have expressly stated in the Contract that a particular technology or service to be provided by EY is not a Cyber Deliverable for the purposes of the Contract.

"Cyber Equipment" means any computing hardware, software or other computing or information technology used by EY that will be connected to, or will be used to access Your Systems and Information. For greater certainty, Cyber Equipment will not include any of the foregoing which is provided by the Client.

"Cyber Services" means Cyber Deliverables and Cyber Equipment, collectively.

"**Your Systems and Information**" means Your network(s), information systems, or any components thereof, or any of Your information.

If EY is performing Cyber Services, providing any Cyber Deliverables, or is using any Cyber Equipment EY:

(a) represents and warrants to you that (i) EY has established and maintains a cyber security program designed to protect the availability, integrity and confidentiality of the confidential information stored on EY's systems which are used in provision of the services (the "**EY Cyber Security Program**"), (ii) EY has implemented and maintains written cyber security policies designed to protect your confidential information, and (iii) as part of the EY Cyber Security Program, the workers of EY and EY Persons delivering the Cyber Services are provided and required to attend position-appropriate cyber security training;

(b) will require that where you provide specified workers of EY or EY Persons with a user ID to access Your Systems and Information ("**Designated Named Account(s)**") (i) only those workers of EY and EY Persons so designated by name are authorized to use the Designated Named Account(s), (ii) the Designated Named Account(s) are not shared with any other individual or entity, and (iii) EY notifies you promptly on becoming aware of a decision to terminate or re-assign a worker of EY or EY Persons to which a Designated Named Account is assigned to allow you to remove such worker's access on a timely basis;

(c) will notify you, promptly after having gathered reasonable evidence that your data has been compromised, due to security breaches, incidents or vulnerabilities impacting or otherwise involving (i) any Cyber Deliverables that have been supplied or are to be supplied, (ii) the supply chain of any such Cyber Deliverables, or (iii) any Cyber Equipment. The notification will include a description of the breach, incident or vulnerability, its potential security impact, its root cause, EY's remediation plan, ongoing status reports, and recommended mitigating or corrective actions;

(d) will take reasonable measures so that (i) no contaminants, including viruses, worms, Trojan horses, adware, spyware, trackware, hack tools, diallers, joke programs, time locks or other software routines, codes or instructions of a similar nature are placed on, or allowed access to, any Your Systems and Information by any workers of EY and EY Persons in connection with any Cyber Services, and (ii) that any Cyber Deliverables and any Cyber Equipment are properly tested, including through the use of malware scans, to identify and correct or mitigate any cyber security weaknesses and vulnerabilities;

(e) will take reasonable steps so that (i) your-specific data is adequately protected and (ii) if EY is required by you in compliance with applicable law to dispose of your information or computing equipment containing your information, the disposal of your information is done completely and securely (EY may, in accordance with applicable legal, disaster recovery and professional requirements, store copies of such Information in an archival format which may not be returned or destroyed but which would remain subject to the confidentiality obligations set forth herein); and

(f) will promptly collaborate and coordinate with you in incident response activities (ie. Inquiries between EY and OPG related to the incident) where EY has reasonable evidence or has been provided with reasonable evidence by the Client that data involving Your Systems and Information has been compromised, and where the incident related to the Cyber Services.

Appendix C: Annual Independence Letter

EY
Building a better working world

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Appendix C: Annual independence letter

April 20, 2018

The Management Oversight Committee
Fair Hydro Trust (the "Trust")

Pursuant to Canadian generally accepted auditing standards, we communicate at least annually with you regarding all relationships and other matters between Ernst & Young LLP ("EY") and its associated entities and the Trust and its related entities that may reasonably be thought to bear on our independence.

We are not aware of any relationships or other matters between EY and the Trust that may reasonably be thought to bear on our independence as of the date of this letter.

Canadian generally accepted auditing standards require that we confirm our independence to the Management Oversight Committee in the context of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the Trust within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of April 20, 2018. The engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

The total fees charged to the Trust for audit services is $98,000 for the period from December 20, 2017 to December 31, 2017 and $25,000 for audit-related services pertaining to OPG's fees as Financial Services Manager for the period from June 1, 2017 to December 31, 2017.

This report is intended solely for the information and use of the Management Oversight Committee of the Trust, and management of OPG, and should not be used for any other purposes.

Yours truly,

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Appendix D: Letter of Representation

April 25, 2018

Ernst & Young LLP

In connection with your audit of the financial statements of the Fair Hydro Trust (the "Trust" or the "entity") as of December 31, 2017 and for the period then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Fair Hydro Trust in accordance with United States generally accepted accounting principles (US GAAP).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with Canadian generally accepted auditing standards, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of financial statement information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, as of April 25, 2018 which are true to the best of our knowledge and belief:

Financial statements and financial records

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated April 17, 2018, for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge that, as members of management of the Trust, we are responsible for the fair presentation of the financial statements. We believe the financial statements referred to above present fairly, in all material respects, the financial position, results of operations and cash flows of the Trust in accordance with US GAAP.

4. The significant accounting policies adopted in the preparation of the financial statements, and the significant judgements in applying these accounting policies, are fully and fairly described in the financial statements.

5. As the managers of the Trust, we believe that the Trust has a system of internal control adequate to permit the preparation of accurate financial statements in accordance with US GAAP.

6. We are not aware of any significant deficiencies in the design or operation of internal control over financial reporting.

Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Trust's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud and error.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   We have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud, that may have affected the Trust (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

   - Involving financial improprieties

   - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Trust's financial statements

   - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Trust's business, its ability to continue in business, or to avoid material penalties

   - Involving management, or employees who have significant roles in internal control, or others

   - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

Uncorrected misstatements

1. There are no uncorrected misstatements or uncorrected misstatements in disclosures relating to the current period financial statements.

Independence

1. Based on inquiries made of our officers, directors and individual substantial unitholders, we are not aware of any business relationship between any such officer, director or individual substantial stockholder and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an "EY Firm"). Such relationships do not include one pursuant to which an EY Firm performs professional services or one pursuant to which an EY Firm is a consumer in the ordinary course of business. For the purpose of these inquiries, a "substantial unitholder" is a person that owns twenty percent or more of the Trust's outstanding units or owns between ten percent and twenty percent of the Trust's outstanding units and has decision-making capacity with respect to the Trust.

2. We have communicated to you all record or beneficial unitholders of ten percent or more of the Trust's outstanding units, including those commonly controlled unitholders whose collective ownership is ten percent or more of the Trust's outstanding units.

3. We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Trust's audit.

Conflicts of interest

1. There are no instances where any officer or employee of the Trust has an interest in a company with which the Trust does business that would be considered a "conflict of interest." Such an interest would be contrary to Trust policy.

Completeness of information

1. We have provided you with:

    a) Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, data, documentation and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain evidence.

2. We have made available to you all minutes of the meetings of unitholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) of the Trust and of Ontario Power Generation Inc. in its capacity as Financial Services Manager of the Trust held through from January 1, 2017 to the most recent meeting as summarized in Attachment 1.

3. We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial

statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

4. There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the financial statements.

Related party relationships and transactions

1. We have made available to you the names of all related parties and all relationships and transactions with related parties.

2. Transactions with related parties, as defined in ASC 850, *Related Party Disclosures*, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, commitments, guarantees, non-monetary transactions and transactions for no consideration have been properly recorded and disclosed in the financial statements, and information concerning these transactions and amounts has been made available to you. These transactions have been properly measured and disclosed in the financial statements.

Side agreements and other arrangements

1. There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Recognition, measurement and disclosure

1. We believe that the significant assumptions underlying accounting estimates, including those measured at fair value, and disclosures used in the preparation of the financial statements are reasonable and appropriate in the circumstances.

2. We have provided additional disclosures in the financial statements, when compliance with the specific requirements of US GAAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

3. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

Risks and uncertainties

1. There are no risks and uncertainties related to significant estimates or current vulnerabilities due to material concentrations that have not been disclosed in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, *Risks and Uncertainties.*

Ownership and pledging of assets

1. Except for properties capitalized under capital leases, and subject to the Declaration of Trust dated December 20, 2017 which established the entity, the Trust has satisfactory title to all assets appearing in the balance sheet. No security agreements have been executed and there are no liens or encumbrances on assets, nor has any asset been pledged as collateral other than those that are disclosed in Note 4 to the financial statements. All assets to which the Trust has satisfactory title appear in the balance sheet.

Receivables and revenues

1. Receivables represent valid claims against the debtors indicated and do not include amounts for or services provided subsequent to the balance sheet date. Our disclosures related to credit quality of financing receivables and the allowance for credit losses are complete and adequate. All revenue recognized as of the balance sheet date has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable and (4) collectability is reasonably assured.

2. Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the balance sheet date in respect of sales and services rendered prior to that date and for uncollectible accounts that may be incurred in the collection of receivables at that date.

3. We have adequately disclosed a description of our major revenue-generating services, the types of arrangements (including multiple-element arrangements) used to deliver these services, and a description of the revenue recognition policies applicable to these services.

4. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers.

Arrangements with financial institutions

1. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Fair value measurements

1. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of ASC 820. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in ASC 820.

2. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements of ASC 820.

Events of default under debt agreements

1. No events of default have occurred with respect to any of the Trust's program agreements.

Contingent liabilities

1. There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with ASC 450-20, *Contingencies – Loss Contingencies*.

2. There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

3. There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

4. There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by ASC 450, *Contingencies,* nor are there any accruals for loss contingencies included in the balance sheet or gain contingencies reflected in earnings that are not in conformity with the provisions of ASC 450.

Oral or written guarantees

1. There are no oral or written guarantees, including guarantees of the debt of others.

2. For those guarantees reported in the financial statements for which we are not required to recognize a liability under ASC 450, the guarantee is either reported at the value of the premium received or receivable (for stand-alone arms-length transactions with an unrelated party) or at fair value using our best estimate (for transactions with multiple elements with an unrelated party or as a contribution to an unrelated party). In the event that, at the inception of the guarantee, we are required to recognize a liability under ASC 450 for the related contingent loss, we have recorded a liability representing the greater of (a) the amount that satisfies the fair value objective as discussed in ASC 460-10-30, *Guarantees – Overall – Initial Measurement* or (b) the contingent liability amount required to be recognized at inception of the guarantee by ASC 450-20-30.

Going concern

1. We have made an assessment of the Trust's ability to continue as a going concern.

Effects of new accounting principles

1. We have performed analyses over the impact of adopting the amendments to the codification provided in Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as discussed in Note 3 to the financial statements. The Trust has not identified any material differences in the timing or amount of revenue recognition. The Trust is in the process of evaluating the additional disclosures required therein under the new standard when the Trust applies the new revenue standard in its 2018 first quarter interim financial statements.

Subsequent events

1. Subsequent to December 31, 2017, other than as disclosed in the notes to the financial statements, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Trust's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, results of operations or cash flows of the Trust.

Ken Hartwick Chief Financial Officer and Senior Vice President – Finance	April 25, 2018
John Lee Vice President – Treasurer	April 25, 2018
Lubna Ladak Vice President – Fair Hydro Plan	April 25, 2018

Attachment 1

List of Meetings of OPG's Board of Directors, Board Committees, and the Pension Committee, thereof during the period between January 1, 2017 and April 25, 2018:

Board of Directors Meeting

- February 14, 2017 (special meeting)
- March 10, 2017
- May 12, 2017
- August 11, 2017
- September 22, 2017 (special meeting)
- October 3, 2017
- October 4, 2017
- October 5, 2017
- November 9, 2017
- November 22, 2017
- February 12, 2018 (special meeting)
- March 8, 2018*

Special Committee of the Board

- March 10, 2017
- March 17, 2017
- March 24, 2017
- March 31, 2017
- April 7, 2017
- April 19, 2017
- May 1, 2017
- May 5, 2017 – continuation on May 9, 2017
- June 2, 2017
- June 26, 2017
- July 28, 2017
- September 22, 2017
- September 29, 2017
- October 27, 2017
- November 20, 2017

Audit and Risk Committee

- March 8, 2017
- May 10, 2017
- August 9, 2017
- September 22, 2017 (special meeting)
- November 7, 2017
- January 11, 2018 (special meeting)
- February 12, 2018 (special meeting)

- March 6, 2018*

Compensation, Leadership and Governance Committee

- February 14, 2017 (special meeting)
- March 8, 2017
- May 10, 2017
- August 9, 2017
- November 7, 2017
- February 12, 2018 (special meeting)
- March 6, 2018*

*Agendas were provided for these meetings as no minutes or summaries of actions are available as at April 25, 2018.

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