

Financial Statements

Fair Hydro Trust
December 31, 2017



Independent auditors' report

To the Unitholders of the **Fair Hydro Trust**

We have audited the accompanying financial statements of the **Fair Hydro Trust**, which comprise the balance sheet as at December 31, 2017, and the statements of operations and comprehensive income, and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Fair Hydro Trust** as at December 31, 2017, and the results of its operations and its cash flows for the period then ended in accordance with United States generally accepted accounting principles.

Toronto, Canada
April 25, 2018

Ernst & Young LLP
Chartered Professional Accountants



A member firm of Ernst & Young Global Limited

FAIR HYDRO TRUST

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the 12 days ended December 31

(thousands of dollars)

	2017
Revenues	
Interest income	858
Cost recovery revenue <i>(Note 8)</i>	2,855
	3,713
Expenses	
Interest <i>(Notes 4 and 8)</i>	882
Operations, maintenance and administration	2,831
	3,713
Net income and comprehensive income	-

See accompanying notes to the financial statements

FAIR HYDRO TRUST**STATEMENT OF CASH FLOWS**

For the 12 days ended December 31*(thousands of dollars)***2017****OPERATING ACTIVITIES**

Net income

-

Adjustment for non-cash items:

Amortization of deferred issuance fees *(Note 4)*

24

Increase in unbilled cost recovery revenue

(6,600)

Increase in accounts payable and accrued charges

2,831

Increase in payable to OPG

5,734

Increase in interest payable

858

Increase in advances from IESO

3,153

Cash provided by operating activities**6,000****INVESTING ACTIVITIES**Acquisition of financing receivables *(Note 4)*

(1,179,000)

Cash used in investing activities**(1,179,000)****FINANCING ACTIVITIES**Net issuance of revolving warehouse debt to third parties *(Note 4)*

599,690

Issuance of revolving warehouse debt to OPG *(Note 4)*

577,710

Contribution from unitholders *(Note 7)*

10

Cash provided by financing activities**1,177,410****Net increase in cash during the period****4,410**

Cash, beginning of period

-

Cash, end of period**4,410***See accompanying notes to the financial statements*

FAIR HYDRO TRUST**BALANCE SHEET**

As at December 31
(thousands of dollars)

2017

ASSETS**Current**

Cash

4,410Unbilled cost recovery revenue *(Note 8)***6,600****11,010****Non-current**Financing receivables *(Note 4)***1,179,000**Deferred issuance fees *(Note 4)***1,576****1,180,576****Total assets****1,191,586**

See accompanying notes to the financial statements

FAIR HYDRO TRUST**BALANCE SHEET**

As at December 31
*(thousands of dollars)***2017****LIABILITIES AND UNITHOLDERS' CAPITAL****Current**

Accounts payable and accrued charges	2,831
Payable to OPG (Notes 5 and 8)	5,734
Interest payable (Note 4)	858
Advances from IESO (Note 8)	3,153
	12,576

Non-current

Long-term debt (Note 4)	1,179,000
	1,179,000

Unitholders' capital (Note 7)	10
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Total liabilities and unitholders' capital	1,191,586
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Commitments (Note 9)

See accompanying notes to the financial statements

Computershare Trust Company of Canada,
in its capacity as trustee of **Fair Hydro Trust,**
by **Ontario Power Generation Inc.,**
not in its individual capacity but solely as Manager



John LeeVice President – Treasurer
Ontario Power Generation Inc.

NOTES TO THE FINANCIAL STATEMENTS

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

1. DESCRIPTION OF BUSINESS

Fair Hydro Trust (FHT or the Trust) is a special purpose trust established under the laws of the Province of Ontario by Computershare Trust Company of Canada, acting as Issuer Trustee, pursuant to the Declaration of Trust dated December 20, 2017, and was caused to be established by Ontario Power Generation Inc. (OPG). The Trust was established in connection with Ontario's Fair Hydro Plan (Fair Hydro Plan) aimed at reducing electricity bills for residential, farm, small businesses and other eligible consumers (Specified Consumers) in the province by refinancing a portion of the Global Adjustment costs over a longer period of time. The Global Adjustment includes the difference between Ontario's electricity market clearing price used to dispatch generation and the prices paid to contracted and regulated generators in the province, and the cost of conservation and demand management programs. On June 1, 2017, the *Ontario Fair Hydro Plan Act, 2017* (the Fair Hydro Act or the Act) received Royal Assent and the associated general regulation came into force in June 2017. The Act established a framework under which the costs and benefits associated with the Government of Ontario's clean energy initiatives are to be allocated between present and future consumers of electricity under the Fair Hydro Plan. The general regulation provides details on the structural, operational and financial elements required to implement the Fair Hydro Plan.

Pursuant to the Act, effective May 1, 2017, the Independent Electricity System Operator (IESO) began to defer the collection of a portion of the Global Adjustment costs. 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 and other costs from Specified Consumers in the future (Investment Interest). The legislation appointed OPG as Financial Services Manager under the Act and conveyed upon it statutory obligations, including the creation of one or more financing entities that may acquire Investment Interests from the IESO. The Trust is a financing entity under the Act.

The Declaration of Trust established FHT to carry on activities for the exclusive benefit of its unitholders, FHP2017 Inc. (FHP2017), a wholly owned subsidiary of OPG, and BNY Trust Company of Canada, the Indenture Trustee (BNY or Indenture Trustee) under the Master Trust Indenture (collectively, the Unitholders). The beneficial interest and rights generally of the Unitholders in the Trust are limited to the right to participate in distributions when and as declared by the Issuer Trustee and distributions upon the termination of the Trust. The legal ownership of the Trust's property and the right to conduct the activities of the Trust are vested exclusively in the Issuer Trustee and no Unitholder has any right of ownership in any of the Trust's property. The Unitholders will also not be subject to any liability arising out of the activities of the Trust.

In order for the Trust to finance the Investment Interest acquired from the IESO, it will incur senior debt from capital markets and subordinated debt from OPG. The Trust's investment will attract financing amounts and other related fees.

NOTES TO THE FINANCIAL STATEMENTS

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

Concurrent with every issuance of the Trust's senior notes, it is expected that OPG will purchase subordinated debt of the Trust in an aggregate amount not to exceed 49 percent of the Trust's total outstanding debt, with funding for 44 percent of the total outstanding debt to be provided by the Province of Ontario (Province) through equity injections in OPG and five percent to be provided by OPG. The subordination level may vary over time, but must at least equal to, or be greater than 35 percent of the Trust's total outstanding debt.

The Issuer Trustee, on behalf of the Trust, has entered into a Management Agreement with OPG, as manager, whereby all of the powers and duties of managing the Trust have been delegated to OPG. OPG is entitled to charge the Trust a management service fee, comprised of a base fee and a variable fee, and to recover costs and expenses incurred by OPG on behalf of the Trust or in relation to the establishment, management and administration of the Trust and its Investment Interest without margin. All fees to be charged by OPG as Financial Services Manager are subject to the provisions outlined in sections 10.1 to 10.15 of the general regulation of the Act and are subject to an annual review by the Ontario Energy Board (OEB). OPG's entitlement to fees is subject to the payment priorities set forth in the Master Trust Indenture.

The IESO is required under the general regulation to pay and remit to the Trust any amounts charged to the IESO by the Trust in respect of carrying costs incurred from June 1, 2017 to July 31, 2021. Carrying costs include all funding costs, such as interest on all notes outstanding, and other expenses of the Trust, other than repayment of debt principal. Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices by local electricity distribution companies sent to Specified Consumers and will be collected and remitted to the Trust through the IESO. The three-month overlap in 2021 is intended to cover the billing and collection lag from the introduction of the Clean Energy Adjustment.

2. BASIS OF PRESENTATION

These financial statements have been prepared and presented in accordance with United States generally accepted accounting principles (US GAAP) and are presented in Canadian dollars.

The Trust has evaluated subsequent events and transactions through April 25, 2018 and concluded that there were no events, other than those disclosed in Notes 4 and 8, that require disclosure in the notes to these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of management estimates

The preparation of the Trust's financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of

NOTES TO THE FINANCIAL STATEMENTS

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

assets and liabilities and the reported amounts of revenues and expenses. On an ongoing basis, management reviews these estimates. Changes in facts and circumstances may result in revised estimates and actual results could differ materially from those estimates.

Cash

Cash represents restricted cash on deposit that is subject to contractual restrictions. Pursuant to the Master Trust Indenture, all of the Trust's bank accounts are under the exclusive control of the Indenture Trustee and have been established in its name. All amounts on deposit are restricted in purpose and the distribution of use is subject to the order of priority outlined in the Master Trust Indenture.

Unbilled cost recovery revenue

Unbilled cost recovery revenue represents current assets related to revenue that the Trust will invoice the IESO in subsequent months for OPG-incurred costs and Trust-incurred expenses that have not been pre-funded by the IESO. Unbilled cost recovery revenue is recorded in the period in which it is earned and measured at the amount the Trust is entitled to receive from the IESO.

Financing receivables

Financing receivables consist of the current and irrevocable right to collect payments from Specified Consumers in the future in accordance with 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.

Financial assets and financial liabilities

Financial assets and financial liabilities are measured at amortized cost. Financial instrument transactions are recorded at fair value on the transaction date.

Deferred issuance fees

The Trust capitalizes the costs of obtaining a short-term warehouse credit facility and records the costs as a separate deferred asset regardless of whether the credit facility has an outstanding balance. The deferred asset is amortized on a straight-line basis over the term of the related credit facility and included in interest expense.

Advances from IESO

Advances from IESO represent a current liability for the amount of pre-funding received from the IESO related to expected carrying costs calculated under an accrual basis of accounting. The pre-funding of carrying costs is required as the Trust is virtually debt funded and has no cash at inception to settle its liabilities. The balance of the liability is reduced when the corresponding expense is incurred or accrued by the Trust.

NOTES TO THE FINANCIAL STATEMENTS

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

Interest income

Interest income represents the amount of accretion of the financing receivables balance calculated on a tranche-by-tranche basis using the effective interest rate of each underlying debt issuance.

Revenue recognition

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 cost recovery revenues related to Trust-incurred third party costs, while it is considered an agent acting on behalf of OPG for cost recovery revenues related to OPG's fees as Financial Services Manager. Accordingly, the Trust reports cost recovery revenues related to Trust-incurred third party costs on a gross basis, while revenues 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 revenues are charged without margin.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly arm's-length transaction between market participants at the measurement date. Fair value measurements are required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model.

Income taxes

Under the terms of the Trust, all taxable income will be payable to the Unitholders so that the Trust will not have any liability for income tax. As such, no provision for income taxes is recorded in these financial statements.

Recent accounting pronouncements not yet adopted*Revenue from contracts with customers*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes nearly all existing revenue recognition guidance, including industry-specific guidance, under US GAAP. Effective January 1, 2018, the Trust adopted Topic 606 to recognize its revenues, utilizing the modified retrospective approach to complete the transition. No material differences in the timing or amount of revenue recognition have been identified as a result of the adoption of the new standard.

NOTES TO THE FINANCIAL STATEMENTS

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

Restricted cash

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance will be applied retrospectively and is effective for the Trust's 2018 fiscal year, including interim periods. The Trust will apply this update beginning January 1, 2018 and is in the process of evaluating any additional disclosures required.

4. LONG-TERM DEBT, FINANCING RECEIVABLES, AND DEFERRED ISSUANCE FEES

On December 21, 2017, the Trust entered into the following supplemental indentures under the Master Trust Indenture for the provision of an aggregate of approximately \$1.569 billion in short-term indebtedness (collectively, the Warehouse Facilities):

- a senior warehouse facility with certain commercial paper conduit purchasers and financial institutions, for the provision of an aggregate maximum principal amount of \$800,000 floating rate variable funding (Senior Warehouse Facility), of which \$601,290 was drawn as of December 31, 2017;
- a subordinated warehouse facility with OPG for the provision of an aggregate maximum principal amount of \$611,765 floating rate variable funding (Subordinated Warehouse Facility), of which \$459,810 was drawn as of December 31, 2017; and
- a junior subordinated warehouse facility with OPG for the provision of an aggregate maximum principal amount of \$156,863 floating rate variable funding (Junior Subordinated Warehouse Facility), of which \$117,900 was drawn as of December 31, 2017.

The issuances of the senior, subordinated and junior subordinated notes payable under the Warehouse Facilities were used to acquire a \$1.179 billion Investment Interest from the IESO on December 21, 2017, which has been classified as a financing receivable on the balance sheet.

As the terms of the Warehouse Facilities do not expire until December 2019, the outstanding balances have been classified as long-term debt to reflect the terms and substance of the agreements.

Fair Hydro Trust**NOTES TO THE FINANCIAL STATEMENTS**

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

As at December 31, 2017, long-term debt consisted of the following¹:

	2017
Senior secured notes payable 2.32% due 2019	601,290
Subordinated secured notes payable 2.42% due 2019	459,810
Junior subordinated secured notes payable 2.42% due 2019	117,900
Long-term debt	1,179,000

¹ The interest rates disclosed reflect the weighted average interest rates during the period the notes were outstanding from December 21, 2017 to December 31, 2017. Interest on these notes is payable monthly on the 15th day of each calendar month commencing January 15, 2018.

There were no debt repayments made during 2017. Interest payable as at December 31, 2017 was \$858.

The total net book value of the secured assets of the Fair Hydro Trust pledged in favour of specified creditors of the Trust, including the senior debtholders and OPG in its capacity as subordinated debtholder and Financial Services Manager under the Act, was approximately \$1.190 billion as at December 31, 2017.

The undiscounted contractual maturities, including principal and interest, of long-term debt as at December 31, 2017 are as follows:

	Principal	Interest
2018	-	27,873
2019	1,179,000	27,873
2020	-	-
2021	-	-
2022	-	-
Thereafter	-	-

NOTES TO THE FINANCIAL STATEMENTS

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

Deferred issuance fees

For the period ended December 31, 2017, deferred issuance fees of \$24 were amortized and included as interest expense for the period, which totalled \$882.

Subsequent debt issuances

On February 9, 2018, the Trust issued 15-year notes due on May 15, 2033 as set out below, with interest payable semi-annually on May 15 and November 15 of each calendar year. The proceeds were used to repay the majority of the corresponding outstanding balances of the Warehouse Facilities as at December 31, 2017:

- \$500,000 of senior notes payable with a coupon interest rate of 3.36 percent and an effective interest rate of 3.44 percent. Following the repayment, the Senior Warehouse Facility had \$101,290 outstanding;
- \$382,353 of subordinated notes payable with a coupon interest rate of 3.64 percent and an effective interest rate of 3.68 percent. Following the repayment, the Subordinated Warehouse Facility had \$77,457 outstanding; and
- \$98,040 of junior subordinated notes payable with a coupon interest rate of 3.96 percent and an effective interest rate of 4.01 percent. Following the repayment, the Junior Subordinated Warehouse facility had \$19,860 outstanding.

On March 22, 2018 and April 20, 2018, the Trust purchased Investment Interests from the IESO in the amount of \$460,000 and \$149,000, respectively. Fifty-one percent of the funding requirements for each acquisition totalling \$310,590 was financed by the Trust through the Senior Warehouse Facility, 39 percent totalling \$237,510 through the Subordinated Warehouse Facility, and the remaining ten percent totalling \$60,900 through the Junior Subordinated Warehouse Facility.

On April 24, 2018, the Trust issued 20-year notes due on May 15, 2038 as set out below, with interest payable semi-annually on May 15 and November 15 of each calendar year. The proceeds were used to repay the majority of the outstanding balances in the Warehouse Facilities as at April 20, 2018:

- \$400,000 of senior notes payable with a coupon interest rate of 3.52 percent and an effective interest rate of 3.60 percent. Following the repayment, the Senior Warehouse Facility had \$11,880 outstanding;
- \$305,882 of subordinated notes payable with a coupon interest rate of 3.83 percent and an effective interest rate of 3.88 percent. Following the repayment, the Subordinated Warehouse Facility had \$9,085 outstanding; and
- \$78,431 of junior subordinated notes payable with a coupon interest rate of 4.21 percent and an effective interest rate of 4.27 percent. Following the repayment, the Junior Subordinated Warehouse facility had \$2,329 outstanding.

NOTES TO THE FINANCIAL STATEMENTS

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

5. PAYABLE TO OPG

The payable to OPG balance represents a current liability related to OPG's general fee for 2017 as Financial Services Manager. Pursuant to the general regulation of the Act, OPG's general fee for 2017 consists of \$3,100 plus recovery of all third-party and certain direct costs incurred by OPG between June 1, 2017 and December 31, 2017 on behalf of the Trust, which totalled \$2,634. The recoverable costs are inclusive of direct costs of four OPG employees who were dedicated exclusively to the Trust. OPG has submitted its total 2017 general fee of \$5,734 to the OEB for review. Refer to Note 8 for more information on OPG's submission to the OEB.

The Trust has recognized recovery from the IESO of OPG's 2017 general fee as unbilled cost recovery revenue in these financial statements.

6. FAIR VALUE MEASUREMENT

The fair values of FHT's financial instruments as at December 31, 2017 are as follows:

	Fair Value	Carrying Value¹	Balance Sheet Line Item
Financing receivables	1,179,000	1,179,000	Financing receivables
Long-term debt	(1,179,000)	(1,179,000)	Long-term debt

¹ The carrying values of other financial instruments including cash, unbilled cost recovery revenue, accounts payable and accrued charges, payable to OPG, interest payable, and advances from IESO approximate their fair value due to the immediate or short-term maturity of these financial instruments.

Valuation models use general assumptions and market data and therefore do not reflect the specific risks and other factors that would affect a particular instrument's fair value. The methodologies used for calculating the fair value adjustments are reviewed on an ongoing basis to ensure that they remain appropriate.

The fair values of the senior, subordinated and junior subordinated debt are estimated to be equal to their respective carrying values as they are floating rate instruments. The fair values of all three debt tranches would be considered Level 3 in the fair value hierarchy.

For the financing receivables related to the Investment Interest acquired from the IESO, fair value as at December 31, 2017 is estimated to equal the carrying value due to the short period of time that elapsed between the acquisition date of December 21, 2017 and December 31, 2017. The fair value would be considered Level 3 in the fair value hierarchy.

Fair Hydro Trust**NOTES TO THE FINANCIAL STATEMENTS**

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

7. UNITHOLDERS' CAPITAL

FHP2017 holds one million units representing 99.9999 percent and BNY holds 1 unit or 0.0001 percent of the Trust. The changes in the Unitholders' capital during the period are as follows:

	FHP2017	FHT BNY¹	Total
Unitholders' capital – December 20, 2017	-	-	-
Contribution by Unitholders	10	-	10
Net income for the period	-	-	-
Unitholders' capital – December 31, 2017	10	-	10

¹ BNY's capital is less than one dollar.

8. RELATED PARTY TRANSACTIONS

As FHT's majority unitholder, FHP2017, is a wholly owned subsidiary of OPG and as the Province owns all of the shares of OPG, related parties of the Trust include the Province and entities controlled by the Province, 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. The related party transactions for the period ended December 31 are summarized below:

	2017	
	Revenue	Expense
IESO		
Cost recovery revenue	2,855	-
2017 OPG general fee ¹	5,734	-
OPG		
2017 OPG general fee ¹	-	5,734
Subordinated and junior subordinated debt interest expense	-	429
	8,589	6,163

¹ As set out in Note 3, the Trust is considered to be acting as an agent on behalf of OPG for cost recovery revenues related to OPG's fees as Financial Services Manager and reports these revenues net of the related costs. Given that no margin is applied on any cost recoveries, revenues receivable by the Trust to be remitted to OPG for its fees equal the Trust's expenses, which net to nil in the statement of operations and comprehensive income.

Fair Hydro Trust**NOTES TO THE FINANCIAL STATEMENTS**

*For the 12 days ended December 31, 2017
(thousands of dollars unless otherwise stated)*

The balances between the Trust and its related parties as at December 31 are summarized below:

	2017
Receivable from related party IESO ¹	6,600
Financing receivables IESO	1,179,000
Current liabilities	
Payable to OPG	5,734
Interest payable to OPG	429
Advances from IESO	3,153
Long-term debt	
Subordinated notes payable to OPG	459,810
Junior subordinated notes payable to OPG	117,900

¹ Represents unbilled cost recovery revenue.

In February 2018, OPG submitted to the OEB its general fee for 2017 in the amount of \$5,734 for review pursuant to the requirements of the general regulation of the Act. The OEB-approved fee will be remitted to the Trust by the IESO as part of the Trust's carrying costs and the Trust will pay OPG's fees as Financial Services Manager.

The Province has provided a limited guarantee to specified creditors of the Fair Hydro Trust. The limited guarantee would be triggered in the event that the Trust's ability to receive amounts in respect of its Investment Interest to pay for certain funding obligations is adversely affected due to one or more of the following: the Province changes the Fair Hydro Act or any other legislation or regulation; a significant change in Ontario's electricity market undertaken by the Province; or a court declares that the Act is invalid or unconstitutional.

9. COMMITMENTS**Credit facilities**

Note 4 outlines the details of the two-year Warehouse Facilities expiring in December 2019 that were established to fund periodic Investment Interest acquisitions from the IESO. The cost of borrowing under the Senior Warehouse Facility is comprised of several components including a commercial paper rate for funding through a securitization

NOTES TO THE FINANCIAL STATEMENTS

*For the 12 days ended December 31, 2017
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conduit, a Canadian dollar offered rate for funding through bank facilities, a margin or program fee, as well as a commitment or utilization fee.

10. ECONOMIC DEPENDENCE

FHT is dependent upon OPG to provide financial management and ongoing administration services pursuant to the Management Agreement between the Trust and OPG.

FHT is dependent upon the IESO to pay and remit carrying costs to the Trust from June 1, 2017 to July 31, 2021 and to remit Clean Energy Adjustment collections from Specified Consumers to the Trust commencing on May 1, 2021.