STEWART McKELVEY
LAWYERS • AVOCATS

Purdy's Wharf Tower One, 900 – 1959 Upper Water Street, P.O. Box 997
Halifax NS B3J 2X2 Canada tel: 902.420.3200 fax: 902.420.1417 stewartmckelvey.com

Charles S. Reagh
Direct Dial: 902.420.3335
creagh@stewartmckelvey.com

File Reference SM004579-520

February 9, 2018

To: The addressees named in Schedule A

Dear Sirs/Mesdames:

Re: Fair Hydro Trust – Private Placement Issuance of 3.357% Senior Notes due May 15, 2033, Series 2018-1

We have acted as local counsel in the Provinces of New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island (the "**Provinces**") to Fair Hydro Trust (the "**Issuer**") in connection with the issue and sale by the Issuer to purchasers in the Provinces (the "**Purchasers**") of $500,000,000 aggregate principal amount of 3.357% Senior Notes due May 15, 2033, Series 2018-1 (the "**Senior Notes**") pursuant to an agency agreement (the "**Agency Agreement**") dated February 6, 2018 between the Issuer, Ontario Power Generation Inc. and CIBC World Markets Inc., RBC Dominion Securities Inc., Goldman Sachs Canada Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Morgan Stanley Canada Limited, HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Desjardins Securities Inc. and Casgrain & Company Limited (collectively, the "**Agents**").

This opinion is being provided at the request of the Issuer pursuant to section 13(j)(i) of the Agency Agreement.

As local counsel for the Issuer in the Provinces, we have reviewed, to the extent considered necessary for the purposes of providing this opinion letter, but have not participated in the preparation of:

(a) the Agency Agreement;

(b) the confidential shelf offering memorandum dated as of January 22, 2018 (together with the documents and exhibits included or incorporated by reference therein, including a final term sheet dated February 2, 2018, the "**Offering Memorandum**");

(c) the trust indenture (the "**Master Trust Indenture**") dated as of December 21, 2017 between the Issuer and BNY Trust Company of Canada (the "**Trustee**");

(d) the term senior series 2018-1 supplemental indenture dated as of February 9, 2018 between the Issuer and the Trustee (the "**Supplemental Indenture**" and, together with the Master Trust Indenture, the "**Indenture**"); and

(e) the form of global certificate representing the Senior Notes appended to the Supplemental Indenture.

Where a capitalized term is defined in the plural herein to refer to a collective the use of the singular thereof means any member of the collective.

Where any reference is made in this opinion to an act to be performed by or for or on behalf of or a right or obligation of the Issuer, such reference shall be construed and applied for all purposes as if it referred to an act to be performed by or a right or obligation of Computershare Trust Company of Canada (the "**Issuer Trustee**") for and on behalf and in its capacity as trustee of the Issuer and, where any reference is made in this opinion to an act to be performed by or for or on behalf of or a right or obligation of the Issuer Trustee, such reference shall be construed and applied for all purposes as if it referred to an act to be performed by or for or on behalf of or a right or obligation of the Issuer Trustee in its capacity as trustee of the Issuer.

For the purposes of this opinion letter, the term "**Securities Laws**" means, collectively, the *Securities Act* (New Brunswick), the *Securities Act* (Newfoundland and Labrador), the *Securities Act* (Nova Scotia) and the *Securities Act* (Prince Edward Island) and the respective regulations and published rules made under such statutes together with all applicable published blanket orders and published blanket rulings of the of the New Brunswick Financial and Consumer Services Commission, the Superintendent of Securities (Newfoundland and Labrador), the Nova Scotia Securities Commission and Prince Edward Island Office of the Superintendent of Securities in force as at the date hereof.

In connection with the opinions hereinafter expressed, we have examined such statutes, public records, certificates of public officials and originals or copies of such other agreements, instruments, certificates and documents as we have deemed necessary or advisable as a basis for the opinions expressed herein. We have, without independent investigation or verification, assumed the genuineness of all signatures on, the legal capacity at all relevant times of any individual signing and the authenticity and completeness of all documents and instruments submitted to us as originals, the conformity to originals of all documents submitted to us as copies thereof and the authenticity of such copies.

In addition, in expressing the opinions herein we have also, without independent investigation or verification, assumed the following:

(a) that any Agent acting in connection with the sale of securities described herein is a registered dealer under any applicable Securities Laws and has complied with the relevant provisions of such applicable Securities Laws and the terms of such registration;

(b) that as of the date hereof, each of the Agents, in discharging its duties pursuant to the Agency Agreement, has complied with the relevant provisions thereof;

(c) that each of the Purchasers receives the Offering Memorandum;

(d) that the representations, acknowledgements and agreements which the Offering Memorandum states are made by the Purchasers upon the receipt of the Offering Memorandum are true, correct and accurate in all respects (which representations, acknowledgements and agreements we have relied upon without independent investigation);

(e) that, other than the Offering Memorandum, no "offering memorandum" within the meaning of any Securities Laws has been delivered to any Purchaser or prospective purchaser of the Senior Notes to whom any laws of the Provinces apply;

(f) that, no order, ruling or decree of any court or regulatory authority having jurisdiction having the effect of ceasing, restricting or suspending trading in the Senior Notes by any person or company in the Provinces is in effect, and no proceedings for that purpose have been instituted or are pending or contemplated; and

(g) that the Issuer is not engaged in and does not hold itself out as engaging in the business of trading securities.

In expressing the opinions in paragraph 4 below we have, without independent investigation or verification, assumed that the Issuer has no property or assets in the Provinces and is formed under the laws of the Province of Ontario.

We express no opinion except with respect to the laws of the various Provinces and the federal laws of Canada applicable therein, in each case as in force on the date hereof ("**Applicable Laws**").

Based and relying upon and subject to the foregoing, and subject to the qualifications and limitations set forth herein, we are of the opinion that:

1. The offering, issuance, sale and delivery of the Senior Notes by the Issuer to Purchasers in accordance with the Agency Agreement are exempt from the prospectus requirement of applicable Securities Laws, and no prospectus or any other documents must be filed, proceedings taken or approvals, permits, consents or authorizations of regulatory authorities obtained under the Securities Laws by the Issuer to permit such offering, issuance and sale of the Senior Notes, other than (a) the filing of a report of exempt distribution on Form 45-106F1, as prescribed by National Instrument 45-106 - *Prospectus Exemptions*, prepared in accordance with the applicable Securities Laws, together with payment of any applicable fees, and (b) in the case of the Province of New Brunswick and the Province of Nova Scotia the filing of two copies of the Offering Memorandum within 10 days after the date hereof.

2. No prospectus is required and no other documents are required to be filed, proceedings taken, or approvals, permits, consents or authorizations of regulatory authorities obtained under Securities Laws to permit a holder of Senior Notes resident in one of the Provinces to trade the Senior Notes in such Province, either through dealers registered under applicable laws who comply with Securities Laws or in circumstances where there is an exemption from the registration requirements of Securities Laws, provided that:

   (a) at the time of the trade, the Issuer is and has been a reporting issuer (as such term is defined in the Securities Laws) in a jurisdiction of Canada for the four months immediately preceding the trade;

   (b) at the time of the trade, at least four months have elapsed from the "distribution date" (as defined in section 1.1 of National Instrument 45-102 - *Resale of Securities* ("**NI 45-102**") of the Senior Notes;

   (c) the certificates representing the Senior Notes, if any, carry the legend required by Section 2.5(2)3(ii) of NI 45-102 or, if the Senior Notes are entered into a direct registration or other electronic book-entry system, or if the purchaser of Senior Notes did not directly receive a certificate representing the Senior Notes, the Purchaser received a written notice containing the legend restriction notation set out in Section 2.5(2)3(ii) of NI 45-102;

(d) the trade is not a "control distribution" as such term is defined in Section 1.1 of NI 45-102;

(e) no unusual effort is made to prepare the market or to create a demand for the Senior Notes that are the subject of the trade;

(f) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and

(g) if the selling security holder is an "insider" or "officer" of the Issuer, as such terms are defined under applicable Securities Laws, the selling security holder has no reasonable grounds to believe that the Issuer is in default of "securities legislation", as such term is defined in National Instrument 14-101 – *Definitions*.

3. The statements in the Offering Memorandum under the heading "Statutory Rights of Action" in respect of the Provinces constitute a fair summary of the statutory rights of action, if any, for rescission or damages applicable under Securities Laws and the Offering Memorandum contains descriptions of the statutory rights of action for rescission or damages, if any, required by applicable Securities Laws.

4. No registration, recording or filing of the Indenture in the Provinces is required under the Applicable Laws to preserve or protect the validity or enforceability of the Indenture or the Senior Notes.

This opinion letter is given to the addressees hereof in connection with the transactions contemplated by the Agency Agreement and is not to be relied upon for any other purposes or by any other party, nor is it to be quoted from or made public in any way, without our prior written consent.

Yours very truly,

Stewart McKelvey

SCHEDULE A

LIST OF ADDRESSEES

CIBC World Markets Inc.
Brookfield Place
5th Floor, 161 Bay Street
Toronto, ON M5J 2S8

RBC Dominion Securities Inc.
Royal Bank Plaza
2nd Floor, 200 Bay Street
Royal Bank Plaza, North Tower
Toronto, ON M5J 2W7

Goldman Sachs Canada Inc.
77 King Street West, Suite 3400
Toronto, ON M5K 1B7

BMO Nesbitt Burns Inc.
3rd Floor Podium
1 First Canadian Place, 100 King Street West
Toronto, ON M5X 1H3

Scotia Capital Inc.
40 King Street West, 68th Floor
Scotia Plaza, P.O. Box 4085, Station "A"
Toronto, ON M5W 2X6

National Bank Financial Inc.
1155 Metcalfe, 1st Floor - F511
Montreal, QC H3B 4S9

TD Securities Inc.
Ernst & Young Tower, 7th Floor
222 Bay Street
Toronto, ON M5K 1A2

Morgan Stanley Canada Limited
181 Bay Street, Suite 3700
Toronto, ON M5J 2T3

HSBC Securities (Canada) Inc.
70 York Street, 9th Floor
Toronto, ON M5J 1S9

Laurentian Bank Securities Inc.
130 Adelaide St. W, Suite 301
Toronto, ON M5H 3P5

Desjardins Securities Inc.
25 York Street
Toronto, ON M5J 2V5

Casgrain & Company Limited
1200 McGill College Avenue, 21st Floor
Montreal, QC H3B 4G7

Fair Hydro Trust
c/o ON Power Generation Inc.
700 University Avenue
Toronto, ON M5G 1X6

BNY Trust Company of Canada
One York Street
6th Floor
Toronto, ON M5J 0B6

Torys LLP
79 Wellington Street West
30th Floor, Box 270
Toronto, ON M5K 1N2

Osler, Hoskin & Harcourt LLP
100 King Street West
Suite 6200, P.O. Box 50
Toronto, ON M5X 1B8