OPERIS

Ontario Power Generation
700 University Avenue, H18 A6
Toronto, Ontario M5G 1X6

For the attention of John Lee

Version 2
19 January 2018

Dear Sirs,

ONTARIO FAIR HYDRO PLAN
REVIEW OF FINANCIAL MODEL

By this letter OBE offers its opinion on the financial model prepared to price, structure and illustrate the Project.

The letter is prepared in the context of our engagement letter of 20 October 2017, and is provided subject to the scope of work and other terms and conditions as set out therein.

VERSION CONTROL

This letter has been released in the following versions:

	Date	Purpose
Version 1	3 January 2018	For execution
Version 2	19 January 2018	Following review of updated model

Operis Business Engineering Limited
110 Cannon Street
London
EC4N 6EU
United Kingdom

T: +44 (0)20 7562 0400
E: info@operis.com

operis.com

Registered in England and Wales No: 03373050
Registered Office: 1 Lumley Street, London, W1K 6TT
Operis Business Engineering Limited is authorised and regulated by the Financial Conduct Authority

DEFINITIONS

For brevity, various entities are identified in this letter by short forms or acronyms:

- "Funders" refers to any party that provides debt financing to the Borrower, including, without limitation, any syndicate banks, commercial paper conduit purchasers, non-conduit purchasers, or bondholders;
- "Borrower" refers to the Fair Hydro Trust, the entity established to acquire regulatory assets in respect of the Ontario Fair Hydro Plan;
- "CIBC" refers to CIBC World Markets Inc.;
- "OPG" refers to Ontario Power Generation in its capacity as financial services manager and party responsible for the implementation of the financing for the Ontario Fair Hydro Plan;
- "OBE" refers to Operis Business Engineering Limited; references to "we" and "our" also refer to OBE;
- "Project" refers to the inaugural debt financing in connection with the Ontario Fair Hydro Plan;
- "Model" refers to the financial model of the Project, which takes the form of a Microsoft Excel spreadsheet called "2017-01-15 - FHP Financial Model - vMaster.xlsb" and dated 16 January 2018, 17:38:32;
- "Base Case" refers to the set of model input assumptions used by the Model, for which OPG is responsible;
- "Moody's Sensitivities Report" refers to the PDF document called "FHP Moody's Sensitivities Report v1.pdf" and dated 20 December 2017;
- "DBRS Sensitivities Report" refers to the PDF document called "FHP DBRS Sensitivities Report v1.pdf" and dated 20 December 2017;
- "Warehouse Sensitivities Report" refers to the PDF document called "FHP Warehouse Sensitivities Report v1.pdf" and dated 20 December 2017;
- "Designated Sensitivities" refers to the sensitivity scenarios run on the Model, detailed in the Warehouse Sensitivities Report, and the sensitivity scenarios run on a previous version of the Model, detailed in the Moody's Sensitivities Report and DBRS Sensitivities Report; and
- "Project Documents" refers to the project documents listed in Appendix A.

OPINION

It is OBE's view that:

- the Model materially achieves its objective of generating projections of the drawdown and repayment of the debt financing for the Borrower on the basis of the set of operational, financial, and economic assumptions set out in the Base Case;
- the logic and integrity of the Model are sound, the calculations arithmetically correct and the results reliable, accurate and consistent with the Base Case;
- the assumptions used and the logic embodied in the Model are materially consistent with the Project Documents; and
- the outputs of the Model contain no unexplainable trends or variations in key financial or banking indicators.

This opinion is limited to the results of the Funding, Repayment and Cashflow Waterfall sheets, the bill projections and any calculations involved in deriving those results.

For the avoidance of doubt, OBE does not offer an opinion on the appropriateness of the accounting and tax treatments, assumptions and calculations contained within the Model or their consistency with the relevant accounting standards and tax legislation.

This opinion is subject to the qualifications as listed in Appendix B.

WAREHOUSE SENSITIVITIES

The Model was used by the model author to run a range of sensitivity scenarios as required by the lenders. These sensitivities were independently reviewed by OBE and the findings reported in the Warehouse Sensitivities Report.

We can say about the Model that:

- it may be used to run the Designated Sensitivities requested if used by a skilled operator with an intimate knowledge of the Model and model function; and
- the output following the running of the Designated Sensitivities is an accurate reflection of the revised assumptions subject to the comments in the Warehouse Sensitivities Report.

RATINGS AGENCY SENSITIVITIES

A previous version of the Model was used by the model author to run a range of sensitivity scenarios as required by the ratings agencies. These sensitivities were independently reviewed by OBE and the findings reported in the Moody's Sensitivities Report and DBRS Sensitivities Report.

While our opinion relates to the Model as defined above and not some earlier version, we can say about this earlier version that:

- it may be used to run the Designated Sensitivities requested if used by a skilled operator with an intimate knowledge of the Model and model function; and
- the output following the running of the Designated Sensitivities is an accurate reflection of the revised assumptions subject to the comments in the Moody's Sensitivities Report and DBRS Sensitivities Report.

ISSUES REPORTED

Errors discovered over the course of our review have been reported to the model author. Any material ones have been removed from the Model, or corrected in the Project Documents.

LIABILITY

OBE's liability for losses incurred as a direct result of errors and omissions is subject to the following:

- OBE's liability is limited to £10 million in total with respect to this assignment;
- OBE does not accept liability to parties other than the Funders and OPG, unless specified in writing; and
- our duty of care shall be firstly to the Funders and subordinately to OPG, and we will not settle any claim with OPG without the Funders' prior agreement.

Yours faithfully,

David Rosel

David Rosel
Authorised signatory of
Operis Business Engineering Limited

Appendix A

PROJECT DOCUMENTS

DOCUMENT	FILE NAME / REFERENCE	DATE-STAMP
Fair Hydro Plan Act	Fair Hydro Plan Act.pdf	19 October 2017, 18:00:35 EST
Fair Adjustment Regulation	Fair Adjustment Regulation.pdf	19 October 2017, 18:00:35 EST
General Regulation	Regulation 206_17_e_General_Nov_3_2017.docx	08 November 2017, 21:05:52 EST
Trust Indenture	BL - Master Trust Indenture	09 January 2018, 23:57:49
Senior Term Supplement	Senior Term Supplement - January 15 (Osler)	15 January 2018, 15:25:55
Subordinated Term Supplement	#24503715v8_TorysAtWork_ - Fair Hydro - Long Term Subordinated Supplemen...	15 January 2018, 15:25:55
Junior Term Supplement	#24589166v6_TorysAtWork_ - Fair Hydro - Long Term Junior Subordinated Su...	15 January 2018, 15:25:55
Senior Warehouse Supplement	_Senior Supplemental Indenture (FINAL)	15 January 2018, 15:25:55
Subordinated Warehouse Supplement	_Subordinated Supplemental Indenture (FINAL)	15 January 2018, 15:25:56
Junior Warehouse Supplement	_Junior Supplemental Indenture (FINAL)	15 January 2018, 15:25:56
Investor Presentation (pages 28-29)	Fair Hydro Trust Investor Presentation - Jan 19	19 January 2018, 19:55:42

Appendix B

QUALIFICATIONS

SCOPE

In general this opinion relates only to the internal consistency of the Model, its consistency with the Project Documents listed in Appendix A.

OBE has not examined the validity of the assumptions nor the input data used in the Base Case and accordingly we express no opinion thereon.

REVIEW LIMITED TO BASE CASE AND DESIGNATED SENSITIVITIES

OBE has performed tests which study the reactions of the Model to variations made to a range of the inputs; however, the number of possible variations is unlimited and OBE can therefore offer no formal guarantee that the Model will operate correctly under every conceivable combination of inputs. Thus this opinion relates to the Model using the Base Case and the Designated Sensitivities only.

DEALINGS WITH REPRESENTATIVES AND ADVISORS

Funders and OPG are hereby notified that over the course of our review OBE has relied on the opinions, confirmations and/or information provided by CIBC and/or by its representatives or advisors; and has treated those opinions, confirmations and/or information as if they had been provided by Funders and OPG themselves.

Therefore OBE provides this opinion letter to Funders and OPG under the terms of the engagement letter on the condition that Funders and OPG shall be bound by the opinions, confirmations and/or information provided to OBE by CIBC and/or its representatives or advisors and OBE shall not be liable to Funders and OPG for any inaccuracy or omission contained in the opinion letter which has been caused by or arises from any inaccuracy, incompleteness or lack of fitness for purpose of any opinions, confirmations and/or information so provided to OBE.

MACROS

We offer no comment on or assurance as to the general use and function of the macros in the Model.

ONGOING PROJECT MONITORING

The Model has no special facilities for receiving the actual historic values that will accumulate with the passage of time, and will need to be modified to make revised forecasts after financial close. In this it is entirely typical of models of similar projects at comparable points in their life cycle.

While we cannot offer any opinion on future versions of the Model that are subject to as yet unknown alteration, we believe that, if manipulated carefully by a competent operator who has intimate knowledge of its structure, the Model will be capable of monitoring the Project post financial close, at least for the early part of the Project.

REDUNDANT CALCULATIONS

The Model contains some blank or redundant sections which are not active. OBE has not reviewed the workings of these sections and does not express an opinion on how these sections would work if non-zero values were inserted.

CASHFLOW TIMING

The Model makes the simplifying assumption that cashflows occur at the end of the periods in which they fall due. This approximation is common practice in financial models. It will result in some quantities being overstated slightly and others understated slightly, with the overall effect being small.

In particular, we understand that interest and principal payments of the long-term bonds will actually occur on 15 May and 15 November. The Model assumes these long term bonds will be issued 15 days before they are expected to be issued in reality, and therefore these payments are modelled as falling on 30 April and 31 October.

APPLICABLE MARGIN FOR WAREHOUSE SUBORDINATED AND JUNIOR FACILITIES

The Warehouse Subordinated Supplemental Indenture and the Warehouse Junior Supplemental Indenture both specify margins over the senior warehouse interest rate of 0.1%. The values used in the model for the margins of the warehouse subordinated and junior facilities are 0.3% and 0.4% respectively.