Ontario Power Generation

AUDIT and RISK COMMITTEE ***OPG Confidential Exclusive***

Minutes of meeting of the Audit and Risk Committee held in the OPG Boardroom of the Head Office of the Company at 700 University Avenue, Toronto, Ontario, on May 15, 2018 at 9:00 a.m.

Present

George Lewis	Committee Chair
Elisabeth DeMarco	Member
Ani Hotoyan-Joly	Member
Wendy Kei	Member
Yezdi Pavri	Member
Gerry Phillips	Member

being a quorum of the Committee, and

Jeff Lyash	Director and President and CEO
Catriona King	Vice President, Corporate Secretary
Carlton Mathias	Assistant Corporate Secretary

Regrets

Bernard Lord	Board Chair

[redacted]

[redacted]

4. Report for the Quarter Ended March 31, 2018

a) Results

Mr. Hartwick spoke to the written submission in the Report for the quarter ending March 31, 2018, including the quarterly consolidated financial statements, Management Discussion & Analysis (MD&A), and draft News Release, highlighting that:

[redacted]

- Operating ROE (which excludes the Fair Hydro Plan), is trending well at 7%, where the business plan target is 6.8%; and

[redacted]

[redacted]

b) *Report from Ernst & Young on Review of the first quarter 2018 Financial Statements*

Ms. Brennan, Ms. Fabina and Ms. Kishinovsky of Ernst & Young presented the report on EY's audit of OPG's first quarter financial statements. EY reported that as a result of its work it is not aware of any material modification and it has no audit differences to report to the Committee. In terms of open items, EY has received all information necessary and completed procedures. EY drew the Committee's attention to several areas of focus:

[redacted]

[redacted]

- With respect to the Fair Hydro Trust, all disclosures were appropriate and no issues were noted.

[redacted]

5. Fair Hydro Plan Financing Update

Mr. Lee joined the meeting.

Mr. Lee spoke to the written materials submitted and highlighted the following:

- Overall, the program is proceeding very well;
- 2 financing tranches have been issued with the most recent in April 2018 for $400 million in senior notes;

- There were approximately 35 buyers interested, though with the actual subscriptions there is some concentration risk. A small minority of potential buyers sat on the side because of perceived political risk, but it is expected this will resolve after the election; and
- In respect of OPG's fees as Financial Services Manager, OPG has applied to the OEB for recovery for 2017 and for the 2018 – Q1 2019 period. The applications are ongoing.

The Committee asked a number of questions to which Mr. Lee responded, and on which discussion ensued, resulting in the following points:

- The OEB does not have the legislative jurisdiction to re-set the mechanics for determining OPG's fees as set out in the governing legislation and regulations. The OEB does not have any oversight over the subordinated debt; and
- OPG has appeared before the OEB Modernization Panel and made submissions to it. Through this process, there have not been any indications of adverse implications for OPG with respect to the FHP.

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