Board of Directors

Carlo, Catriona, Chris, Les, Shelley, Evelyn, Carlton, Wendy, George, Jennifer Rowe, Ani Ken, John Lee

On phone: Jeff, Yezdi, Joe, Jim, John Herron, Peggy, Bill, Lisa, Gerry, Bernard

(JP missing)

[redacted]

- 2. Reports from Committee – Special Committee
- i. Report from Special Committee
  - [redacted]
  - other information item discussed was communication strategy around the FHP and our involvement in it, continues to be focused on polict decision being owned by province and implemantaiton of that is our responsibility and our investment
  - there was a good discussion as management continues to evolve this pointing out by Lisa that of the 25% rate reduction, 8% of that is the GST which is taxpayers taking on some of the electricity sector subsidazation, and the other 17% reduction is a ratepayer benefit and cost, and some of the criticism that the AG had of the plan is that it is a higher cost option than if taxpayers financed this directly – that's not the policy decision that the government made, decided to split it, and to implement a rate payer option, we are a least cost option, and overtime if this becomes an issue, we will develop this as an element of our communications trategy
  - in terms of SC report – few change shighlgithed in the report form original materials, report is now final, there was some negotiations ongoing at time materials were first sent out with respect ot Change of law agreement, which was finalized by the time the committee met- got to a good satisfactory decision for approval, so recommend approval, and ur special counsel, had discussion and asked in their view whether we had satisfied the obligation sof the committee in terms of the board and oversight, and they affirmed
  - I move, and ask for a second and ask for questions

Redacted - Commercially Sensitive

- KH: im usure that there is an unknown that we don't know, but in the near term we are still going thorugh credit rating from moodyts and DBRS, and that might be technical risks that might come up that we can address – never know till youre done, and then on the governance side and agreements, whether provincial guarantee or others, is flexibility to adjust financial risks that could develop in relation to our ability to cover interest costs and other realted costs, and more will be on focus to cover unknown

Redacted - S/C Priv.

- GL: emphasize ken's first point – it's a new novel transaction, - management has done an exceptional job but the additional comfort is we are investing along third parties that have rating agencies, normally when you do a transaction and acquisition you agree on something and finance it, here we enter into it as we get feedback form advisors etc, colletivelywe've thought about everyhtig, but we have others as well
- Ani: what happens if government changes – say conservatives come in and totally against this
- KH: the intent of the legal structure is we stop aying that, probvincing gunaratee stays in place for whatever is financed to date, government has option to repatriate the debt back to them and take it on their books, and if there is a change that the investors and OPG is held whole, and the program would end and we would be back to our operating business
- GL: instruments remain outstanding so that your return profofile is gunrantee – government does not have bility to pay out earlier
- JL: most sifnicant risk is reputational risk- executing on policy I with OEB that their oversight of this stays in a box and doesn't interrupt our relationship on regulated rates, and then the third is the branding, which is with public at large, and so far I think weve done good job at a well inderstaood position and stayed out of the policy debate and casting ourselves as a low cost manager
- Ani: as campaign starts we will hear more about this
- LD: I was at APPRO yesterday and Patrick Brown was talkin g- and there was a polster that gave a message – and one uniform message is Ontario is going to vote out anyone who increases the rate dramatically and nowhere in Patrick Brown's policy was there unravelling "unfair" hydro plan
- GP: one risk I see, and I support the work, is the justification of the fees and the interest in the income for us – and the public, its hard for some of us to understand but the Public thinks that government owns OPG and controls it, and in my opinion a risk that if the public think that the government shareholder is making substantial revenue off the ratepayer, overcharged on this trust, Appendix B was very helpful and whoever prepared that for the Board – on page 36, - I assume somewhere done the line there will be discussion – and that it is all public and defensible, I don't have a problem with it, but want to make sure that in the document I didn tfinda comparator of similarly structured trusts, that's my

one risk that is identified here, but its public seeing OPG differently than us – can you give us a thirty second of management fee of 7.5 and interest spread compared ot previous trusts

- KH: validate that our fees are commercially beneficial and fair form the OEB structure – those two should algn, 7.5 basis points and support for what we will price sub-detbt at relative to the senior deby – there will be transparency yhrough the OEB process, we ha veinformation and benchmkarking and internally and will form part of our OEB submission when we go before the OEB
- JL: in terms of the process, the way it is defined, that there is a benchmarking of up to 5 choesn and of that, majority of htem have to be securitization structure,s when we look at it the benchmkaring would be about 10 basis points or higher, we negotiated with Provincce to benchmark slightly lower, 7.5 so that there wouldn't be too igh, the direct costs would be covered as well – so the benchmarking exercise will start in 2018 with a third party to perform the benchmarking, then submit ot OEB, if OEB wants it can submit another benchmarking, but they have otuse the same basis, and with respect to thesundebt, wont be traded in the external market so is a bit more difficult – so since subdebt will also be rated, clear cut demarcation of where risk factors are, and dealers will be 5 differen tones, they will be providng their benchmarking on priing indeipendelty fed through province and an average will bet aken – so it wil be very treansparant agred to beween us and Province,

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