

**ONTARIO POWER GENERATION INC.**

**RESOLUTION OF THE SOLE SHAREHOLDER**

**ADDRESSING CARBON DIOXIDE (CO<sub>2</sub>) EMISSIONS ARISING FROM  
THE USE OF COAL AT ITS COAL-FIRED GENERATION STATIONS**

**WHEREAS** Her Majesty the Queen in right of the Province of Ontario, as represented by the Minister of Energy and Infrastructure (the "Shareholder"), as the registered holder of all the issued shares of Ontario Power Generation Inc. (the "Corporation"), executed a unanimous shareholder agreement (the "Shareholder Agreement") dated as of May 20, 2010 regarding the Corporation;

**AND WHEREAS** paragraph 1 of the Shareholder Agreement removed from the directors of the Corporation all of their rights, powers and duties in relation to decisions in respect of certain distinct aspects of the business operations of the Corporation, and in particular, as regards decisions relating to reducing CO<sub>2</sub> emissions arising from the use of coal at its coal-fired generating stations to be met annually on a forecast basis, as well as decisions relating to the development of, and the adherence to, an implementation Strategy (the "Strategy") for the reduction of CO<sub>2</sub> by the Corporation;

**AND WHEREAS** the Shareholder will ensure that an appropriate cost recovery mechanism is established to enable the Corporation to recover the costs of its coal-fired generating stations following the implementation of the Strategy;

**AND WHEREAS** the Shareholder wishes to achieve CO<sub>2</sub> emissions reductions in a manner that is cost-efficient and prudent for the Ontario electricity system and from the electricity customer's perspective;

**AND WHEREAS** the Shareholder wishes to exercise its rights and powers under paragraph 1 of the Shareholder Agreement to cause the Corporation to reduce CO<sub>2</sub> emissions from the use of coal arising at its coal-fired generating stations within specified times and in accordance with the Strategy;

**NOW THEREFORE BE IT RESOLVED** as a resolution of the sole Shareholder of the Corporation that:

1. The Corporation shall act in accordance with the Strategy to meet on a forecast basis CO<sub>2</sub> emissions arising from the use of coal at its coal-fired generating stations for the 2011 calendar year of not more than 11.5 megatonnes.
2. The Corporation shall act in accordance with the Strategy to meet on a forecast basis CO<sub>2</sub> emissions arising from the use of coal at its coal-fired generating stations for the 2012 calendar year of not more than 11.5 megatonnes.
3. The Corporation shall act in accordance with the Strategy to meet on a forecast basis CO<sub>2</sub> emissions arising from the use of coal at its coal-fired generating stations for the 2013 calendar year of not more than 11.5 megatonnes.
4. The Corporation shall act in accordance with the Strategy to meet on a forecast basis CO<sub>2</sub> emissions, arising from the use of coal at its coal-fired generating stations for the 2014 calendar year of not more than 11.5 megatonnes.
5. Despite paragraphs 1 to 4, the Corporation may emit CO<sub>2</sub> from its coal-fired generating stations and such emissions shall not be included in the total CO<sub>2</sub> emissions referred to

in paragraphs 1 to 4 if such emissions are the result of the Corporation's decision to operate one of its coal-fired generating stations:

- (i) pursuant to a reliability must run contract as defined in the Market Rules made under section 32 of the *Electricity Act, 1998* (the "Market Rules"); or;
  - (ii) pursuant to a direction issued by the Independent Electricity System Operator as authorized by the Market Rules.
6. The Corporation shall file with the Minister of Energy and Infrastructure, by no later than November 30, 2010 for the 2011 calendar year, and within one year thereafter in respect of the 2012 calendar year, and within two years thereafter in respect of the 2013 calendar year, and within three years thereafter in respect of the 2014 calendar year, the Strategy to meet the CO<sub>2</sub> emissions requirements specified in paragraphs 1 to 4 above, which will reflect the use of coal as an energy-limited resource. The Strategy will include the steps, methods or other mechanisms which the Corporation intends to undertake or utilize, in order to achieve those emissions targets on a forecast basis.
  7. The directors shall ensure that this resolution is carried out in a prudent and cost-efficient manner, in accordance with all applicable laws, and in accordance with sound commercial practice for a corporation involved in the generation of electricity and in accordance with the Market Rules.
  8. Any officer or director of the Corporation be and is hereby authorized and directed to execute and deliver all documents and agreements, and to do and perform all things as may be necessary or desirable in order to give effect to and implement the foregoing resolutions.

The foregoing resolutions are hereby consented to as evidenced by the signature of the sole Shareholder of the Corporation pursuant to the provisions of the *Business Corporations Act* (Ontario).

**DATED** as of the 20th day of May, 2010.

**HER MAJESTY THE QUEEN IN RIGHT OF  
THE PROVINCE OF ONTARIO, AS  
REPRESENTED BY THE MINISTER OF  
ENERGY AND INFRASTRUCTURE**

Per:

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Brad Duguid  
Minister of Energy and Infrastructure

**ONTARIO POWER GENERATION INC.**

**DECLARATION OF THE SOLE SHAREHOLDER REGARDING CARBON DIOXIDE (CO<sub>2</sub>) EMISSIONS ARISING FROM THE USE OF COAL AT ITS COAL-FIRED GENERATING STATIONS** made as of the 20th day of May, 2010 (the "Effective Date").

**WHEREAS** Her Majesty the Queen in right of the Province of Ontario, as represented by the Minister of Energy and Infrastructure (the "Shareholder") is the registered holder of all the issued shares of Ontario Power Generation Inc. (the "Corporation");

**AND WHEREAS** the Shareholder finds it necessary to assume decision-making power and authority over certain distinct aspects of the business operations of the Corporation, and in particular, as regards decisions relating to reducing CO<sub>2</sub> emissions from the use of coal and its coal-fired generating stations;

**AND WHEREAS** the Shareholder, acting in his capacity as the Minister of Energy and Infrastructure for the Province of Ontario, has issued, and the Lieutenant Governor in Council has approved, a Directive made pursuant to section 28.1 of the *Ontario Energy Board Act, 1998* directing the Ontario Energy Board to amend aspects of the Corporation's generation licence in order to facilitate implementation of the Government's policy on reducing CO<sub>2</sub> emissions arising from the use of coal at the coal-fired generating stations owned or operated by the Corporation;

**AND WHEREAS** the Shareholder makes the following declaration pursuant to subsection 108(3) of the *Business Corporations Act (Ontario)* (the "Act") intending the same to be deemed to be a Unanimous Shareholder Agreement within the meaning of the Act;

**NOW THEREFORE** it is hereby declared that:

1. The rights, powers and duties of the Directors (the "Directors") of the Corporation to manage, or supervise the management of, the business and affairs of the Corporation, whether such rights, powers or duties arise under the Act, the articles of amalgamation of the Corporation or the by-laws of the Corporation, as and when amended, or otherwise, are forthwith restricted with regard to:
  - (i) establishing limits on CO<sub>2</sub> emissions arising from the use of coal at the coal-fired generating stations owned or operated by the Corporation for any or all of the 2011, 2012, 2013 or 2014 calendar years;
  - (ii) requiring the preparation, at or within specified times, of one or more documents setting out the Corporation's implementation strategy or strategies for achieving the limits referenced in (i) above (the "Strategy"), and requiring such documents to be filed with the Minister of Energy and Infrastructure; and
  - (iii) determining whether the Corporation may depart from the Strategy as set out in the documents referenced in (ii) above,

are hereby assumed by the Shareholder and no longer reside with the Board of Directors or any members thereof, from the Effective Date, until this Declaration is amended or revoked.

(collectively, the "Restricted Powers").

2. This Declaration and the restriction of the powers of the Directors herein contained shall not affect any action, step, resolution or by-law duly taken, made, passed or consented to by the Directors prior to the Effective Date.
3. The Shareholder assumes all the rights, powers, duties and liabilities of the Directors to manage or supervise the management of the business and affairs of the Corporation in connection with the Restricted Powers and, pursuant to subsection 108(5) of the Act, the Directors are thereby relieved of their duties and liabilities, including any liabilities under section 131 of the Act, to the same extent.
4. For greater certainty, the Restricted Powers do not restrict the duties and liabilities of the Directors to manage, or supervise the management of, the business and affairs of the Corporation relating to the actual implementation of any decision made by the Shareholder pursuant to paragraph 1 above.
5. This Declaration shall be governed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

**IN WITNESS WHEREOF** the Shareholder has duly executed this Declaration as of the Effective Date.

**HER MAJESTY THE QUEEN IN RIGHT OF  
THE PROVINCE OF ONTARIO, AS  
REPRESENTED BY THE MINISTER OF  
ENERGY AND INFRASTRUCTURE**

Per:

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Brad Duguid  
Minister of Energy and Infrastructure