

ONTARIO POWER GENERATION INC.

DECLARATION OF THE SOLE SHAREHOLDER REGARDING THE THUNDER BAY GENERATING STATION GAS CONVERSION PROJECT made as of this 6th day of October 2005.

WHEREAS HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF ENERGY (the “**Shareholder**”) is the registered and beneficial owner of all of the issued and outstanding shares of Ontario Power Generation Inc. (the “**Corporation**”).

AND WHEREAS the Shareholder wishes to assume the decision making power regarding the conversion of the Thunder Bay Generating Station (the “**Generating Station**”) to be able to operate using a fuel source other than coal.

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, or otherwise, are forthwith restricted as follows:
 - (i) any decision regarding the conversion of the Thunder Bay Generating Station as an electricity generating station, to a generating station fuelled by any means other than coal, shall be made by the Shareholder;
(collectively, the “**Restricted Powers**”).
2. For greater certainty, the Restricted Powers do not restrict the rights, powers and duties 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, including, without limitation, the rights, powers and duties of the Directors to manage, or supervise the management of, the planning, procurement, construction and commissioning of any capital projects that are required to be undertaken in order to implement the Shareholder’s decision as well as all day-to-day operational and management decisions associated with the ongoing operations of the Thunder Bay Generation Station.
3. For greater certainty, during the remaining period that the Thunder Bay Generating Station operates on coal, the Corporation will continue to operate the station

according to normal commercial principles taking into account the Government's coal replacement policy and recognizing the role that fossil plants play in the Ontario electricity market, until government regulation and/or unanimous shareholder declarations require the end of Thunder Bay Generating Station operating as a coal-fired station.

4. 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 date of execution of this Declaration.
5. Throughout the term of this Declaration, the Directors are relieved of all their rights, powers, duties, obligations and liabilities imposed upon them as Directors whether arising under the Act or otherwise to the extent the Restricted Powers restrict their powers, duties and obligations.
6. The Shareholder assumes all the rights, powers, duties, obligations 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 *Business Corporations Act* (Ontario), the directors are thereby relieved of their duties and liabilities, including any liabilities under section 131, to the same extent.
7. 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.

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

Original signed by:
By: _____
Dwight Duncan
Minister of Energy

ONTARIO POWER GENERATION INC.

RESOLUTION OF THE SOLE SHAREHOLDER

Thunder Bay Generating Station

WHEREAS Her Majesty the Queen in Right of the Province of Ontario as Represented by the Minister of Energy (the “**Shareholder**”) executed a unanimous shareholder agreement (the “**Shareholder Agreement**”) dated October 6th, 2005 regarding Ontario Power Generation Inc. (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 regarding the conversion of the Thunder Bay Generating Station to a generating station fuelled by any means other than coal.

AND WHEREAS under paragraph 1 of the Shareholder Agreement, the Shareholder assumed, all the rights, powers, duties, obligations and liabilities of the directors of the Corporation to make decisions regarding the conversion of the Thunder Bay Generating Station to a generating station fuelled by any means other than coal.

AND WHEREAS the Shareholder will put in place financing of up to \$95 million on a commercial basis and appropriate cost recovery mechanisms covering initial capital and development expenditures, ongoing operating costs and an appropriate return to OPG.

AND WHEREAS the Shareholder wishes to exercise its rights and powers under paragraph 1 of the Shareholder Agreement to approve and authorize the conversion of the Thunder Bay Generating Station to a natural gas fuelled generating station.

NOW THEREFORE BE IT RESOLVED AS A RESOLUTION OF THE SOLE SHAREHOLDER OF THE CORPORATION THAT:

1. the Thunder Bay Generating Station is to be converted from a coal fired generating station into a natural gas fuelled generating station (the “**Project**”);
2. the Corporation is authorized and directed to proceed with the Project so that the converted generating station will be fully in service by December 31, 2007, subject to any delay where such delays are reasonably beyond the ability of the corporation to address; and,
3. the Directors ensure that the conversion 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.
4. the Directors shall ensure that, during all phases of construction and operation, including the periods before, during where applicable, and after the conversion

referenced in paragraph 1, that the Generating Station is operated in accordance with the Memorandum of Agreement between the Corporation and the Shareholder dated August 17, 2005.

5. 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, and including the entering into of an agreement with Union Gas to ensure the construction of a gas pipeline to the generating facility.

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 6th day of October, 2005.

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

Original signed by:
By: _____
Dwight Duncan
Minister of Energy