

ONTARIO POWER GENERATION INC.

DECLARATION OF THE SOLE SHAREHOLDER REGARDING CARBON DIOXIDE (CO₂) EMISSIONS ARISING FROM THE USE OF COAL AT ITS COAL-FIRED GENERATING STATIONS made as of the 15th day of May, 2008 (the "Effective Date").

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 the issued and outstanding 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 CO₂ emissions from the use of coal at its coal-fired generating stations;

AND WHEREAS the Shareholder, acting in his capacity as the Minister of Energy 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 CO₂ 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 CO₂ emissions arising from the use of coal at the coal-fired generating stations owned or operated by the Corporation for the 2009 or 2010 calendar years, or both;
 - (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

- (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**

ORIGINAL SIGNED BY

By: _____

Gerry Phillips
Minister of Energy

ONTARIO POWER GENERATION INC.

RESOLUTION OF THE SOLE SHAREHOLDER

ADDRESSING CARBON DIOXIDE (CO₂) 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 (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 15th, 2008 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 CO₂ 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 CO₂ 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 CO₂ 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 said Shareholder Agreement to cause the Corporation to reduce CO₂ 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 CO₂ emissions, arising from the use of coal at its coal-fired generating stations for the 2009 calendar year of not more than **19.6** million metric tonnes.

2. The Corporation shall act in accordance with the Strategy to meet on a forecast basis CO₂ emissions, arising from the use of coal at its coal-fired generating stations for the 2010 calendar year of not more than **15.6** million metric tonnes.
3. Despite paragraphs 1 and 2, the Corporation may emit CO₂ from its coal-fired generating stations and such emissions shall not be included in the total CO₂ emissions referred to in paragraphs 1 and 2 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.
4. The Corporation shall file with the Minister of Energy, by no later than November 30, 2008 for the 2009 calendar year, and within one year thereafter in respect of the 2010 calendar year, the Strategy to meet the CO₂ emissions requirements specified in paragraphs 1 and 2 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.
5. 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.

6. 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 16th day of May, 2008.

ORIGINAL SIGNED BY

Her Majesty the Queen in Right of the
Province of Ontario, as represented by
the Minister of Energy