MEMORANDUM OF AGREEMENT

BETWEEN

Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy (the "Shareholder" or "Minister")

And

Ontario Power Generation, Inc. ("OPG")

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Her Majesty the Queen in right of Ontario as represented by the Minister of Energy (the "Shareholder" or "Minister")
And
Ontario Power Generation, Inc. ("OPG") or the "Corporation"

WHEREAS OPG is a business corporation incorporated under the *Business Corporations Act* (Ontario) OBCA).

AND WHEREAS The Minister, on behalf of Her Majesty in right of Ontario, may acquire and hold shares of OPG, and has primary policy responsibility for the overall legislative and regulatory framework, established primarily under the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998,* and the applicable regulations, within which OPG must conduct its business operations .

NOW THEREFORE the parties hereto have agreed as follows.

1 DEFINITIONS/INTERPRETATION

1.1 The following terms shall have the meanings ascribed to them herein:

"Corporation" means "Ontario Power Generation Inc."

"EA" means the "*Electricity Act, 1998*" and its regulations and the phrase "the Act" has a corresponding meaning.

"Deputy Minister" means the Deputy Minister of Energy, a public servant appointed by the Lieutenant Governor in Council under the auspices of section 4 of the *Ministry of Energy Act, 2011;*

"Ministry" means the Ministry of Energy;

"Minister" means the Minister of Energy appointed by the Lieutenant Governor in Council under the auspices of the *Executive Council Act* (Ontario) and includes reference to such other member of the Executive Council as may be assigned the administration of the *Ministry of Energy Act, 2011* (Ontario) under the *Executive Council Act* (Ontario);

"MOA" means this Memorandum of Agreement, including any and all appendixes attached hereto;

"OBCA" means *Business Corporations Act* (Ontario);

"OEBA" means the *Ontario Energy Board Act, 1998* and its regulations, codes, or orders of the Ontario Energy Board, as applicable;

"OPG Board Chair" means the member of the Corporation's Board of Directors which is appointed by the Minister pursuant to a unanimous shareholder resolution made in writing, and who is designated by the Minister as Chair;

"Shareholder" means Her Majesty the Queen, in Right of the Province of Ontario, as represented by the Minister of Energy who holds all of the issued shares of the Corporation on behalf of the Crown, and "sole shareholder" shall have the same meaning.

2. PURPOSE OF THIS MEMORANDUM OF AGREEMENT

The parties hereto agree and acknowledge that the purpose of this MOA is as set out below:

2.1 To serve as the basis of agreement between OPG and its sole Shareholder on mandate, governance, performance, and communications of OPG.

2.2 To establish the accountabilities and relationships solely between OPG and the Shareholder. In its discretion, the Shareholder may waive or deem compliance of OPG's obligations as appropriate in the circumstances.

2.3 To promote a positive and co-operative working relationship between OPG and the Shareholder.

3 GOVERNANCE OF OPG

3.1 Under the OBCA, the OPG Board of Directors is responsible for supervising the management of the business affairs and operations of the Corporation, including a fiduciary duty to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the skill as well as a standard of care and diligence that a reasonably prudent person would exercise in similar circumstances. As such, the Corporation operates as a business enterprise with a commercial mandate, governed in principle and at first instance by an independent Board of Directors who is responsible for the appointment of the President and Chief Executive Officer. The President and Chief Executive Officer and management are responsible for the day-to-day operations of the company.

3.2 The Minister shall be responsible for appointing or re-appointing, in a timely manner and following consultation with the Chair, as appropriate, the directors of OPG pursuant to the process established by the Public Appointments Secretariat and securities regulators' National Policy on Corporate Governance Guidelines.

3.3 As a reporting issuer of debt securities, OPG is subject to the disclosure standards and requirements of the *Securities Act* (Ontario) and shall make such disclosures as may be required.

3.4 As set out in subsection 53.1(2) of the EA, OPG and its subsidiaries are not agents of the Crown for any purpose, despite the Crown Agency Act.

3.5 OPG shall operate in an accountable and transparent manner with regard to the Corporation's governance, management, administration and operations. In this regard, OPG is subject to a number of statutes and Treasury Board/Management Board of Cabinet directives. A list of applicable statutes and directives is set out in Appendix 1 attached hereto.

3.6 Notwithstanding the foregoing, the Shareholder may at times direct OPG to undertake special initiatives. Such directives shall be written declarations by way of a Unanimous Shareholder

Agreement and/or Declarations and resolutions, in accordance with section 108 of the OBCA, which shall be made public by OPG within a reasonable timeframe by publishing such agreements, declarations and resolutions on the Corporation's website.

3.7 Unless otherwise directed by the Shareholder or statute, OPG shall operate in Ontario in accordance with the highest corporate standards, including but not limited to the highest corporate standards in the areas of corporate governance and social responsibility. OPG shall continue to benchmark its corporate governance practices against the securities regulators' National Policy on Corporate Governance Guidelines, as well as other leading governance organizations, as appropriate.

4 MANDATE

4.1 The objects of OPG include, in addition to any other objects, owning and operating a diversified portfolio of generation assets and facilities.

4.2 OPG shall leverage its assets and expertise to generate new revenues on a commercially sound basis, including the making of strategic investments and acquisitions in the electricity sector, as well as in related business opportunities inside and outside Ontario, on its own or in partnership as appropriate, for the benefit of the Corporation and the Shareholder.

4.3 OPG shall continue to operate as a respected, publicly-owned electricity generation enterprise and to operate its assets efficiently and cost-effectively, and to deliver value both to Ontario's ratepayers and taxpayers.

4.4 OPG shall ensure that it conducts its operations in full compliance with all laws and regulations and serves as a model in regard to public and employee safety, environmental practices, corporate citizenship, community engagement and First Nations and Métis relations.

4.5 OPG shall undertake generation development projects in support of the Province's electricity planning initiatives, including the Long Term Energy Plan, as may be updated from time to time.

4.6 OPG shall support the Province of Ontario's efforts to fulfill the Crown's constitutional duty to consult and accommodate Aboriginal peoples, where that duty arises in relation to OPG generation projects, by carrying out those procedural aspects of the Crown's consultation obligations that are delegated in writing to OPG by the Province, including the Ministry.

4.7 The Province of Ontario and the Ministry supports the role of public power and mitigating electricity prices in Ontario and in doing so:

a. mandates that OPG maintain itself as a strong, viable public power component of the electricity sector at an appropriate scale and with generation portfolio diversity to ensure long-term operational and financial sustainability and to support OPG long term liabilities; and
b. mandates that OPG plan and operate its generation facilities based upon good utility practice recognizing safety, legal, regulatory, environmental and market factors.

4.8 OPG shall support the Province's economic development objectives where feasible, including generating financial benefits that remain within the Province of Ontario.

4.9 OPG shall serve the public interest and operate in a way that achieves a commercial rate of return, moderates overall electricity prices, and supports the efficient operation of the electricity market.

4.10 OPG shall earn a commercial rate of return and generate sufficient cash in order to maintain an investment grade credit rating, and service its borrowing needs for operations and projects; as well as supporting the opportunity to access public debt markets in the future. Any significant new generation approved by the Board of Directors and agreed to by the Shareholder may receive financial support from the Province of Ontario, if and as appropriate.

4.11 Subject to any unanimous shareholder declaration or resolution, OPG shall be permitted to participate in all energy-related procurements in Ontario.

4.12 OPG shall inform the Shareholder of any solar and wind developments or projects that the Corporation intends to undertake or assume, including the sources of the Corporation's financing, before undertaking or assuming such developments or projects.

4.13 Where appropriate, OPG shall pursue prospective generation related developments with First Nations and Métis communities that can provide the basis for long term mutually beneficial commercial arrangements.

4.14 Acknowledging sections 3.1 and 3.4 of this MOA, OPG will act in the interests of both OPG and the Shareholder in entering into potential settlements of material Aboriginal claims or grievances or material arrangements with communities potentially affected by OPG generation development. Unless otherwise agreed to with the Shareholder, OPG will pursue such agreements or arrangements so that the Shareholder benefits equally from releases from liability and indemnifications obtained by OPG in relation to damage caused by the construction, operation and development of OPG facilities. Nothing in this MOA will require OPG to pursue releases for matters for which the Shareholder may be solely liable.

5 REPORTING REQUIREMENTS

5.1 OPG and the Shareholder will ensure timely sharing of information sharing on major developments and issues that may impact the business of OPG or the interests of the Shareholder. Major developments and issues include planned acquisition of energy assets and/or assumption of existing power supply contracts, proposed settlements of material Aboriginal peoples' claims or grievances relating to OPG facilities, and proposed arrangements with communities affected by OPG generation development.

5.2 OPG shall report to the Shareholder, on an immediate basis, where a material human safety or system reliability issue arises.

5.3 Every year OPG shall develop and submit a rolling 3-5 year business plan to the Shareholder for review and concurrence.

a. Once approved by OPG's Board of Directors, OPG's annual business plan will be submitted to the Minister for concurrence.

b. The annual business plan shall include 3 -5 year performance targets based on operating and financial results as well as major project execution. It shall also include a 3 - 5 year investment plan for new projects.

c. OPG shall include objectives for operational efficiency improvements in its business plan.

d. Staff from the Ministry will review OPG's annual business plan in a timely manner.

e. The Deputy Minister shall advise and assist the Minister on any responsibilities associated with the approval of OPG's annual business plan.

f. OPG shall respond to any comments or requests for further information on the annual business plan, made by the Minister, Deputy Minister or Ministry staff in a timely manner.

g. Concurrence will be subject to the appearance of OPG's business plan before Treasury Board.

5.4 Within 90 days after the end of each fiscal year, as required by subsection of 53.4 (1) of the EA, OPG shall submit to the Minister an annual report on its affairs during that fiscal year.

a. In a timely manner in advance of the submission of the annual report to the Minister, OPG will provide a draft copy of the annual report for Ministry staff to review.

b. Ministry staff will review the draft annual report in a timely manner, and may request additional information from OPG, as necessary.

5.5 OPG shall provide, in a timely manner, quarterly and year-end financial reports for the Ministry's review prior to filing with the OSC, and in particular:

a. year-end financials, which include News Release, MD&A and Audited Financial Statements whose content is prescribed by the securities regulators' National Instrument 51-102; and,

b. the Annual Information Form and Statement of Executive Compensation, whose content is prescribed by securities regulators' National Instrument NI 51-102.

5.6 OPG shall provide briefings to senior officials of the Ministry on OPG's operational and financial performance against plan.

5.7 OPG shall provide reports and information to the Ministry of Finance, as required, from time to time, as per subsection 53.4 (4) of the EA. Reports and information requests from the Ministry of Finance shall be made through the Ministry of Energy.

5.8 The OPG Board Chair shall report to the Minister annually on the effectiveness of this MOA. Such report shall be provided to the Minister in writing within 90 days after the end of each fiscal period.

5.9 OPG shall provide to the Minister quarterly status updates on its response to the recommendations set out in the Auditor General's 2013 Report.

6 PERFORMANCE EXPECTATIONS

6.1 Operational Expectations

6.1.1 OPG shall operate its generating assets safely, efficiently and cost-effectively, and in accordance with all applicable safety and environmental regulations and standards.

6.1.2 OPG shall pursue cost-effective and efficient operational improvements that maintain the reliability of operations, the safety and security of OPG assets, employees and the public.

6.1.3 OPG shall undertake periodic benchmarking appropriate for its operations and type of assets, including as part of its submissions to the OEB.

6.1.4 OPG shall operate its Ontario based portfolio of generation assets in a manner that contributes to Ontario's and Canada's environmental objectives.

6.1.5 OPG shall ensure that a system is in place for the creation, collection, maintenance, and disposal of records in accordance with corporate policy, guidelines and best practices.

6.1.6 OPG shall make information targeted to the general public available in French where it meets a need to do so.

a. Recognizing that OPG's direct interaction with the public is often limited to regional or host community communications or broader public safety, OPG shall make information available in French only if reasonable in the circumstances.

b. For greater clarity, OPG shall provide the following services and products in French: advertising, news releases and educational materials where it meets a need to do so. As well, public safety communications, annual financial reports and educational materials will be provided in French and French speaking spokespeople will be made available as required for public and media interaction. French language products will be listed under a specific heading on the OPG web site.

c. This list shall be reviewed by OPG annually.

6.1.7 OPG shall support the province of Ontario in implementing its policy of putting conservation first by pursuing energy efficiency improvements in its operations where

economic. OPG shall identify a lead for reporting on its energy efficiency improvements to liaise with the Ministry on a regular basis.

OPG shall also continue to report on its energy efficiency results in its annual Sustainable Development Report.

6.2 Financial Expectations

6.2.1 As an OBCA Corporation and reporting issuer with a commercial mandate, OPG shall operate on a financially sustainable basis, earning a commercial rate of return in order to be able to service its current and future liabilities, to support the appropriate level of capital spending and to maintain or increase the value of its assets for its Shareholder.

6.2.2 OPG shall finance project investments and its operations in a prudent and cost-effective manner.

6.3 Compensation

6.3.1 OPG shall annually inform the Shareholder about its compliance with applicable legislation and regulations governing employee compensation.

7 LABOUR NEGOTIATIONS

7.1 In advance of commencing discussions for the renewal of its collective agreements with its unions, OPG shall seek advice from the Ministry on Provincial policy direction and relevant fiscal considerations affecting labour negotiations in the broader public and/or energy sectors.

7.2 When a collective agreement has been negotiated and ratified, OPG shall inform the Ministry of the results and details of the collective agreement in a timely manner.

8 COMMUNICATIONS

8.1 The OPG Board of Directors and the Minister shall meet as needed to enhance mutual understanding of interrelated strategic matters.

8.2 OPG's Board Chair, OPG's President and Chief Executive Officer and the Minister shall meet on an as needed basis.

8.3 OPG's President and Chief Executive Officer and the Deputy Minister shall meet on a regular and as needed basis on matters of mutual importance.

8.4 OPG's senior management and Ministry senior officials shall meet on a regular and as needed basis to discuss new and ongoing issues, discuss strategic business objectives and OPG's performance, and to clarify expectations or to address emergent issues.

8.5 The Shareholder shall specifically seek OPG's input on electricity policies that may impact OPG, when and as appropriate.

8.6 OPG's communications shall include promotion and awareness of electricity generation and efficiency where appropriate to increase public understanding of energy consumption and support the Ministry's efforts.

8.7 OPG shall consult with the Ministry, as appropriate, on key communication issues that may affect the Ministry or OPG. OPG shall keep the Ministry informed, as appropriate, of the key communication issues in a timely manner, and in advance if it is possible or appropriate to do so, having regard to the seriousness of the key communication issue.

8.8 In all other respects, OPG shall communicate with government ministries and agencies in a manner typical for an Ontario Corporation of its size and scope to ensure a timely flow of information.

9 TERM OF THIS AGREEMENT

9.1 The MOA shall be in effect for not more than five years from the date of execution.

9.2 The Shareholder and the OPG Board Chair shall renew or revise this MOA by the expiry date, or earlier, as required.

9.3 The Shareholder and the OPG Board Chair shall reaffirm this MOA for continuance with a change in either the Minister or Chair, and such reaffirmation may be done by letter and such letter shall be considered part and parcel of this Agreement as if the party or parties reaffirming the MOA had duly signed and executed an amendment to the MOA.

9.4 This MOA shall be posted publicly on OPG's website.

SIGNATURES

Original signed by: 2015/05/20

_____ _____

Bernard Lord
Board Chair
Ontario Power Generation, Inc.

Date

Original signed by: 2015/07/17

_____ _____

Honourable Bob Chiarelli
Minister of Energy

Date

APPENDIX 1: STATUTES OF PARTICULAR APPLICATION

Auditor General Act
Broader Public Sector Accountability Act, 2010
Business Corporations Act
Electricity Act, 1998
Freedom of Information and Protection of Privacy Act
Ontario Energy Board Act, 1998
Public Sector Compensation Restraint to Protect Public Services Act, 2010
Public Sector Expenses Review Act, 2009
Public Sector Salary Disclosure Act, 1996
Public Sector and MPP Accountability and Transparency Act, 2014

APPENDIX 2: APPLICABLE TB/MBC/MOF DIRECTIVES

Compensation Arrangements Compliance Report Directive
Perquisites Directive
Procurement Directive
Travel, Meal and Hospitality Directive
Ministers' Staff Commercial Transactions Directive