

Ministry of Energy
and Infrastructure

Office of the Minister

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Ministère de l'Énergie
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March 4, 2010

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen:

RE: Industrial Transmission Connected Electricity Efficiency Program

I write pursuant to my authority as the Minister of Energy and Infrastructure, in order to exercise the statutory powers of ministerial direction which I have in respect of the Ontario Power Authority (the "OPA") under subsection 25.32(4.1) of the *Electricity Act, 1998*, as amended.

Pursuant to my authority as Minister of Energy and Infrastructure, I direct the OPA to undertake the responsibility for creating and delivering an industrial energy efficiency program (the "Program") with the objective of achieving cost-effective conservation through industrial process improvements that bring energy efficiency gains. This objective may be achieved by encouraging industrial consumers to make capital expenditures in relation to energy efficient measures. Incentives to participants may be determined on the basis of considerations that may include, but are not limited to, the costs of project design or the selection, purchase and installation of energy efficient measures.

The Program will be an integral part of the OPA's effort to help the Province reach its aggressive conservation targets by providing incentives to industrial consumers to invest in energy efficiency and conservation, including by increasing industrial facilities' own investments. The objective of these investments will be to create jobs, contribute to gross domestic product growth and will help Ontario industries to remain competitive in future years. They are also intended to assist in meeting the Province's greenhouse gas reduction goals.

Now therefore, pursuant to my statutory authority under subsection 25.32(4.1) of the *Electricity Act, 1998*, I hereby direct the OPA to undertake the design and implementation of the Program according to the following guidelines:

Guidelines:

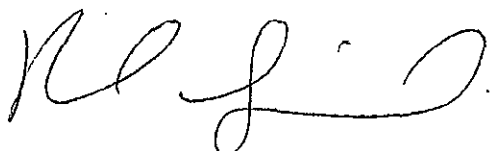
1. The OPA shall deliver the Program to industrial consumers directly connected to the IESO controlled grid.
2. The Program shall provide a five-year period within which industrial consumers may agree to participate in the Program (Participating Consumers). Funding for the Program shall be available to provide Participating Consumers two years to complete implementation of projects.

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3. The OPA shall provide incentive funding to Participating Consumers. Incentives shall be sufficient to generate attractive rates of investment return for Participating Consumers in projects that meet the objective of achieving cost effective conservation through industrial process improvements that bring energy efficiency gains. Any contract entered into by the OPA with Participating Consumers as part of the Program shall have a term necessary to ensure persisting energy efficiency gains that result from projects implemented in the two-year period.
4. The Program shall be managed to deliver a target of 300 MW of demand savings.
5. The OPA, in implementing the Program, shall include appropriate safeguards to ensure the protection of ratepayers' funding against non-performance by Participating Consumers. Where appropriate, financial risk management measures shall be included, such as letters of credit. The OPA shall implement the Program so as to provide rigorous project measurement and verification to ensure energy efficiency results meet expectations.
6. The total amount of funding, contingency and expenses provided by the OPA shall not exceed \$660 million.
7. Due to the high value of the Program, the OPA shall strive to minimize administrative costs by taking responsibility for: (i) key account management; (ii) contract administration; and (iii) coordinating technical reviews with contracted support as required.
8. Further to paragraph 5, the OPA shall perform ongoing evaluation of the Program in accordance with its standard practices to ensure it is achieving the objectives of the Program.

This direction shall be effective and binding as of the date hereof.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Duguid', written in a cursive style.

Brad Duguid
Minister