

OPG and the Role of Public Power

Tom Mitchell

**President and CEO
Ontario Power Generation**

To the Ontario Energy Network

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Toronto, Ontario**

Subject to change upon delivery.

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1. Introduction

Good afternoon. I'm honoured to be here among so many of our industry peers.

My focus today is on public power.

I believe that a public power company like OPG, which is owned by the people of Ontario, has an important responsibility. And that is to contribute to the strength and success of this Province.

I learned about the importance of public service **and** public power at a very early age – from my father.

My father was a nuclear engineer – as well as an officer in the US Navy. He spent much of his career on assignment. In the early 1960s, he was in charge of building a nuclear reactor in Antarctica.

He set very high standards for himself, had a passion for excellence and a strong work ethic. And he was absolutely dedicated to public service.

His example is a major reason why I believe so strongly in public power.

Today, I want to cover three areas that demonstrate OPG's contribution as a public power company to the well-being of this province. We do it through:

- our role as a generator;
- our role as an enabler; and
- our adherence to the basic values that underpin our business.

2. OPG as a Generator

In terms of our role as a generator...

OPG's core business and first responsibility is generating electricity – safely, reliably and efficiently.

This is fundamental for a public power company.

Our performance in this area is strong...and our expectations high.

Within our nuclear business, our goal is to have our units recognized as among the best of all the world's reactors. I admit this is a challenging goal. To stay in the race, we must continuously improve. We're doing that.

In 2008, four of the top five top performing CANDU reactors *in the world* were OPG units. Three belonged to our Darlington nuclear station; one to our Pickering B station.

This year, Darlington continues to perform well. It ended the first quarter with a unit capability factor of 99.99 per cent -- about as close to perfection as you can get. This was right before we shut down all four of the station's reactors for our successful Vacuum Building Outage. Since returning to service from that outage, Darlington has continued to perform reliably.

Our Pickering B station is also operating well. Three of its reactors currently have unit capability factors in the mid-90 per cent range. That is excellent performance for this over 25 year old station.

Collectively, our three Durham region nuclear stations produced 30 per cent of all the electricity generated in Ontario in 2008.

Performance at our hydroelectric plants has also been impressive. Since 2004, hydro availability has consistently been well into the 90 per cent range. This is one of the best records of *any* hydroelectric fleet in North America.

On the fossil side, our plants continued to be ready to provide electricity when needed during peak demand periods in the winter and summer months. Their reliability has dramatically improved over the past five years. Fossil's forced outage rate is now about 10 per cent, compared to nearly 19 per cent in 2004. This reflects our targeted maintenance programs and current operating strategy, which optimizes the number of coal-fired units that we offer into the market.

All of this translates into more *reliable* and *efficient* electricity generation to benefit Ontario.

It's also a testimonial to the commitment of our employees, who work to produce this power 24/7...365 days a year.

As the producer of roughly two-thirds of the electricity used in this Province, we are the backbone of Ontario's electricity's generation.

3. OPG as an Enabler

But there is more to public power than generation. OPG is not just a provider of power today. We're an enabler for tomorrow.

Ontario needs an adequate supply of electricity to meet its long-term needs. It also needs to shift to a clean energy future.

I believe that as a public power company, it's OPG's job to help make that happen.

Our nuclear and hydroelectric operations, for example, are virtually emission free. In 2008, they accounted for about 78 per cent of our production. In the first half of 2009, the number was even higher. Over that period, our nuclear and hydro plants accounted for nearly 90 per cent of our production. This is something Ontarians can be proud of.

We're not just producing low-carbon and carbon-free power from our existing assets. We're also working to build more facilities to generate cleaner power. And we're looking at rebuilding some of our existing facilities to do the same thing.

On the hydroelectric side, we are building, and proposing to build, projects in northern Ontario that will add more than 600 MW of new clean, renewable hydropower to the Province's supply.

We're also building a 10.2 kilometre tunnel under the city of Niagara Falls to help our Niagara River stations generate more energy. The contractor is past the half-way mark in the tunnelling, and the project is on target to meet its revised schedule. With a projected life-span of almost 100 years, this is an investment well worth making for Ontario.

OPG is also involved in another low emission energy activity – preparing for nuclear new build at our Darlington site. As you know, the Ontario government has suspended the procurement process for two new nuclear units.

We are, however, proceeding with the site licensing and environmental assessment processes.

We're doing this to be ready whenever the government resumes the procurement process.

My predecessor noted that if we want Ontario's energy infrastructure to be there for us in the future we need to plan and invest for the long term. New-build nuclear is such an investment. Depending on the technology chosen, the two new reactors would provide between 2,000 and 3,200 MW of virtually emission free electricity to Ontario.

In addition, we're exploring the possibility of refurbishing both the Darlington and Pickering B stations.

As a learning organization, OPG has amassed a significant amount of expertise in nuclear refurbishment – especially since our experience in restarting Pickering Unit 4. This was not our finest hour from a project management point of view.

But we did the post-mortems. We learned our lessons.

Our biggest “take-away” was that we learned to “plan the work, and work the plan.” That means putting as much up-front planning as possible into a project before starting construction – and then rigorously adhering to it.

As a result, our next big refurbishment project – the restart of Pickering Unit 1 – was completed on time and virtually on budget.

We are now applying the same approach to assessing the business cases for both Darlington's and Pickering B's respective proposed refurbishments.

We know that the more time we invest in planning, the higher the probability of success. We are also analyzing the nuclear industry's recent experiences in undertaking similar kinds of projects to learn as much as we can.

We are confident that this is the right approach.

The other area we're exploring is biomass. With coal being removed from the fuel supply, we're taking an innovative approach to preserve the contribution Ontario's coal-fired assets have made to this province. Our plan is to repower some of our coal-fired units with alternative fuels like biomass. We expect our Atikokan station to be the first coal unit to be repowered in this way.

While results from the program have been encouraging, a lot of work – by OPG and others -- still has to be done before biomass becomes a practical commercial option. This includes more research on fuel characterization; more analysis on supply chain options; examining opportunities for the forestry and agriculture sectors; and addressing any potential environmental issues. So I do not want to overpromise.

That said, we see this as an exciting opportunity to further advance Ontario's sustainable agenda – while revitalizing parts of our fossil fleet. This way Ontarians can continue to benefit from the excellent service these assets have traditionally provided.

4. OPG's Values

The last area I want to cover involves values.

Our success as a generator and enabler rests on a foundation of values.

I believe these values are essential to our operations and to maintaining the trust of the public we serve.

The first value is accountability.

OPG is an accountable company.

We are accountable to the people of Ontario for the assets under our care. Those assets are worth \$27 billion. To ensure we live up to this responsibility, our actions are scrutinized by many groups and organizations.

The list of those we're accountable to is a long one. It includes: our Board of Directors; federal and provincial regulators; industry peer groups; the Ontario Energy Board; the Ontario Ministry of Energy and Infrastructure; government environmental agencies -- both federal and provincial; the media and the communities where we operate.

Right now, as I speak, our Darlington station is being peer-reviewed by the World Association of Nuclear Operators (WANO). We invite them to do this because we know that while our industry peers are often our toughest critics, they help us become better operators.

I know of few generating companies who are held to such high standards of accountability as OPG. It comes with the territory of being a public power company. And quite frankly, I wouldn't have it any other way. It's one reason, for example, why our Darlington station is such a top performer.

The second value we embrace is to be as open and transparent as possible.

We communicate regularly to a myriad of stakeholders – from government officials, to community leaders, to everyday Ontarians. We hold information and feedback sessions on our projects. Twice a year, we publish a report on our performance. We invite the media to tour our facilities. We hold media calls every quarter to discuss our financial results. We are subject to Freedom of Information inquiries. We disclose our salary as part of the public salary disclosure process. We will also be publishing our executives' expenses.

There's an old Navy expression from my father. It's called: "nailing your colours to the mast." It means committing yourself totally to a course of action -- come what may.

At OPG, we are "nailing our colours to the mast" when it comes to being open and transparent.

The people of this province deserve this from their public power company.

Let me tell you why.

Over the next few decades, Ontario plans to revitalize its energy supply on a scale few of us have seen. The cost of these initiatives will be in the billions – and borne almost entirely by the people of Ontario.

Supply options for OPG include nuclear refurbishment and new nuclear ... hydroelectric development ... and perhaps innovative fuels such as biomass.

As we undertake these tasks, it will be absolutely imperative for OPG to be as open and transparent as possible to the people we serve – the people who pay for these assets.

I believe this will make us a stronger company and enhance our credibility so that we can better serve Ontario.

Another important value is our commitment to commercial principles.

We are a public power company with a legislated mandate to operate as a business – with all the earnings we make staying in Ontario.

We believe in efficiency; timeliness; cost control; financial sustainability; and bottom line results.

Our investment decisions are subjected to rigorous business case analyses.

We also expect to earn a fair rate of return in exchange for the products and services we provide and the investments we make in Ontario. Since a significant majority of our generation is rate-regulated, we must periodically appear before the Ontario Energy Board, where we are subjected to a full and open review.

Our strong commercial focus does not contradict our public power status. It reinforces and validates it. Because it helps ensure that our owners, the people of Ontario, are getting the best value for their money and the best management of their assets.

In 2005, for example, we decided not to return to service Units 2 and 3 at Pickering A. The cost of restarting these units could not be justified from a business case perspective. It was a tough call, but the right call.

Another illustration of our commercial orientation is the emphasis we place on effective project management – bringing in projects on time and on budget.

I mentioned Pickering Unit 4 and how we learned from that painful experience.

Today, our project management capabilities are strong and getting stronger:

- Like the Darlington Vacuum Building Outage;
- Like the Portlands Energy Centre; and
- Like our \$350 million project to safely store Pickering's Units 2 and 3 for their eventual decommission.

And in the area of efficiency we are making a special effort to reduce costs by:

- closely managing our expenditures and contracts,
- simplifying internal processes and procedures; and
- meeting our target to reduce costs by \$85 million in 2010.

OPG will continue to operate according to well defined and well established business values like these.

And it goes without saying, that we would never compromise our commitment to safety or to the environment simply to save money or earn a greater profit.

The fourth and final value I want to cover involves our social and economic commitment to Ontario.

We have a proud record in this area.

It includes our biomass initiative, which has the potential to create a whole new industry based in Ontario, and the jobs and growth that go with it.

It includes our many biodiversity initiatives – like the more than 3.8 million trees and shrubs we have planted across Ontario to help mitigate carbon dioxide in our atmosphere.

It includes the nearly \$4 billion we spent last year on payroll, taxes paid to the Province and goods and services purchased from Ontario suppliers.

Every one of those dollars directly and indirectly benefits Ontario.

And it includes the many partnerships we're forging with Ontario First Nations communities as part of our hydroelectric development program. These are real partnerships involving equity participation in hydro projects by First Nations. They promise to provide significant economic opportunity and benefits to these communities.

Our social and economic contribution also includes the many educational, environmental and community-based initiatives that we help support every year through our Corporate Citizenship Program and the volunteer efforts of our own employees.

These and our many other community activities have forged strong and supportive relationships between OPG and its site communities. I have visited many of these communities since becoming CEO. And I'm impressed how our relationships with many of them stretch back to the time of Sir Adam Beck, the founder of public power in Ontario. If you look at the monument to Sir Adam Beck on University Avenue, you will see – as I did -- the names of some of these communities inscribed on its base. That's how far back some of these relationships go.

This drives home to me in a powerful way the depth of the bonds that tie OPG to our site communities...and to the people of Ontario.

I am grateful for the positive and productive relationships we have with these communities. As a testament to this, I want to thank [Clarington Mayor] Jim Abernethy for your presence here today. We appreciate the support that Clarington has given OPG as well as the support we receive from the many other communities in Durham and throughout the Province.

I look forward to our continued strong relationships in the future.

And I look forward equally to OPG's continued economic contribution to Ontario as whole – a contribution that, as a public power company, we are uniquely qualified to deliver.

5. Conclusion

As I conclude, I want to share with you something I said a few days ago in Atlanta.

I was talking to a group of nuclear industry chief executive officers.

I told them the nuclear industry stands and falls on the issue of trust.

I can just as easily apply that observation to public power.

Public power is all about trust.

OPG has to earn that trust – the people's trust -- every single day.

I've tried to outline today, some of the ways we strive to do that.

Ultimately, the people will judge us on how well we do.

But I will leave you with this thought.

We will always -- always -- do our best to live up to the high standards that are expected of us and that we expect of ourselves.

And that is to be a company committed ... committed:

- to performance;
- to service;
- to accountability;
- to openness;
- to prudence; and
- to making Ontario a better place for all.

We have nailed our colours to the mast.

And we look forward with confidence to the voyage ahead. Thank you.