

**NOTES FOR REMARKS**  
**Tom Mitchell**  
**President and CEO**  
**Ontario Power Generation**  
**Ontario Standing Committee on Government Agencies**  
**September 9, 2009**

**Check against delivery**

I'm pleased to be here to discuss OPG's performance and to answer your questions in this my 7<sup>th</sup> week as CEO.

I would like to begin my remarks with some observations on the role of OPG and the values that define who we are.

OPG is heir to a strong tradition of generating electricity. It's a tradition marked by service to the people of Ontario and commitment to the principle of public power.

Our predecessor companies – the Hydroelectric Power Commission of Ontario and Ontario Hydro -- established this tradition. Through an array of productive and reliable generating assets, they safely provided Ontarians with electricity for over 100 years.

In the first half of the 20<sup>th</sup> century, these assets were virtually all hydroelectric – the product of an enormous acquisition and building program that laid the foundation for Ontario's future greatness as an economy and society.

In the 1950s and '60s, fossil plants were added to the portfolio to further meet the Province's growing energy needs.

And as our energy needs continued to expand from the 1970s to the 1990s, nuclear stations were brought into the mix.

As a result of this legacy, Ontario today has one of the world's great power systems -- noted for the diversity of its generating facilities and its excellent record of safety, reliability and flexibility.

With the breakup of Ontario Hydro in 1999, these generating assets, and the tradition of service they represent, were passed on to Ontario Power Generation.

We became custodians and stewards of the legacy of publicly owned power generation in Ontario.

We are proud of this role. We take it seriously...as did our predecessors.

But we are not clones of our predecessors.

Despite the fact that many people still think Ontario Hydro exists or that OPG is Ontario Hydro, we are not.

Ontario Hydro was a monopoly and a fully integrated utility.

It was designed to meet – and obliged to meet -- all of Ontario's energy needs and was responsible for all aspects of Ontario's power system.

It was also looked upon and used by governments of the time as a tool for achieving certain economic and social policy outcomes.

OPG is a very different kind of company.

In contrast to Ontario Hydro, we operate in a competitive environment with other power producers and our responsibilities are much more specific.

We don't transmit or distribute electricity.

We don't manage Ontario's electricity market.

We don't plan supply.

And we don't make energy policy.

These responsibilities all belong to other organizations -- Hydro One, the IESO, the Ontario Power Authority, and the Ministry of Energy and Infrastructure.

Our mandate at OPG is to focus on one thing -- producing electricity to help meet Ontario's electricity needs.

And the specifics of what we do are laid out in a written mandate from the shareholder issued in 2005.

In OPG's 10-year history, we annually produced the electricity for about two-thirds of the Ontario electricity market.

Everything we do centres on this core mandate.

There are many facets to this mandate.

It includes the operation of our assets, 24-7, which span the Province and consist of:

- three nuclear stations, with 10 operating units;
- five fossil-fuelled plants, currently with 19 units; and
- 65 hydroelectric stations with a total of 232 generating units; and 240 water control structures located on 24 river systems across Ontario.

It includes keeping these assets in good condition through refurbishment, strategic maintenance and ongoing equipment improvements to enhance efficiency and output.

And by hiring, training, and effectively leading the skilled people that do these things every day.

It includes expanding our asset base, by building new plants and facilities that help enhance Ontario's supply of clean and low-emission power.

Our role as a generator also includes producing increasing amounts of low-and no-emission electricity. In 2008, OPG's nuclear and hydro assets accounted for about 78 per cent of our production. In the first half of 2009, they accounted for nearly 87 per cent.

This provides a strong platform to support the goals of Ontario's Green Energy Act.

Finally, our role as a generator especially includes managing our assets according to well- defined and established commercial principles.

We are a public power business dedicated to delivering value to the people of Ontario. I believe that a strong business focus is essential for -- and compatible with -- this role.

That's why concepts like "value for money," "cost efficiency," and "performance" are more than just words at OPG.

They are values that we are driving into our culture and on which we strive to base all of our business decisions and practices.

The mantra of my predecessor, Jim Hankinson, was "*It's all about Performance*". I intend to build on that mantra during my tenure.

There is one final value that we adhere to which I want to emphasize to this committee.

It's the value of accountability.

As a public power company, OPG is accountable to the people of Ontario.

A very important form of this accountability is that a majority of the energy we produce is now regulated by the Ontario Energy Board in a public, open and demanding review of our businesses. These regulated assets produce the least expensive form of electricity for ratepayers.

Every year for the past three years (from 2006 through to 2008) the average sales price OPG has received for its electricity has been lower than the Province's weighted average hourly spot electricity market price.

This represents a significant contribution to consumers and toward maintaining a competitive economy in Ontario.

Accountability also means developing clear and ethical policies and guidelines when it comes to incurring expenses and procuring the goods and services we need to operate our business.

As CEO, my job is to make sure these policies are understood and followed throughout the company. While this is an evolving process, OPG can be proud of the progress it has made.

We have always had rules and procedures governing procurement and expenses at OPG, but we have also worked to refine and improve them – both on our own initiative and in response to external benchmarking. For example:

- In 2004, KPMG conducted an operational review of OPG which included a third party assessment of our expense policy. In response to that review, we tightened up a number of our policies and practices.
- And in 2006, following the Auditor General's report, we implemented a number of steps to further strengthen our procedures. The Auditor General subsequently noted that all his recommendations were addressed by OPG.

In terms of contracting, I can assure you that we spend money to produce business results. Nuclear outages, new equipment, runner upgrades all produce tangible results that can be seen in our performance and that we continually measure and evaluate.

At the heart of how we expect our staff to do business is OPG's Code of Business Conduct.

The Code establishes three key principles -- integrity, excellence and citizenship -- that underpin our business activities.

Everything we do at OPG – including our policies and guidelines on procurement and expenses – rests on these principles, which all employees must follow. And if they don't, they are held to account.

New employees must complete a training program based on the Code within 30 days of being hired and every employee must complete a training program every two years.

I completed my biennial training last month. It's a good course with lots of practical examples that are relevant to staff.

We also have a Chief Ethics Officer who provides additional support and oversight with respect to our Code and whom employees can and do contact if they have questions or concerns regarding a business-ethics issue.

As a result of all these measures, I believe OPG's governance, policies and practices are already very similar to those of the Ontario Public Service (OPS).

In some cases, they appear even more stringent.

Where they are not as stringent, we will work to bring them up to OPS levels.

We will continue to refine and improve our policies to ensure they are consistent with the high standards the government expects from the agencies, boards and commissions under its authority.

And we will submit our expenses for any additional reviews requested, including to the Integrity Commissioner.

Premier McGuinty has made it clear that the senior management of government organizations and companies – of which OPG is one – are to lead by example.

As the executive accountable, I am committed to meeting that expectation.

OPG will comply with new directives on procurement and expenses and we will be doing more internal checks.

As I said, OPG sees itself as custodians of the people's assets and interests. There are a number of ways we fulfill that duty.

- by operating our nuclear, hydroelectric and fossil assets effectively;
- by keeping our facilities well maintained and in top operating condition to protect public safety and the environment; and
- by managing projects according to expected standards of quality and safety, and in a timely, cost effective manner.

We are also expanding our portfolio to provide Ontario with more clean energy – especially on the hydroelectric front.

In support of our hydroelectric development activities, we are working with First Nations communities to build strong relationships based on openness, respect and mutual interest. This is a major success story that we hope will be a model for others.

We also add value to Ontario in areas such as biodiversity, safety and community commitment. For example:

- In biodiversity, we planted more than 3.8 million trees and shrubs across Ontario since the year 2000; and
- In the area of community commitment, we contributed in 2008 nearly \$4 billion to the Province's economy through purchases, salaries, and payments to governments at various levels.

I recognize OPG has a challenge operating in an evolving electricity sector.

As a value-driven company, I have every confidence we can meet the challenge.

At OPG we believe in excellence, performance, efficiency, accountability and stewardship, and we believe these values will see us through.

In conclusion, I see a promising future for OPG -- built on operating our low-emission, lower cost generation, 24-7, and adding new biomass, and revitalized nuclear, as needed, to "keep the lights" on and keep the rates low.

I welcome your questions about our operations and the chance to expand further on my statement.

Thank you.