

Tom Mitchell

**President and CEO
Ontario Power Generation**

To the Ontario Energy Network

**December 5, 2012
Toronto, Ontario**

Subject to change upon delivery

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NOTES FOR REMARKS

As I was coming here I was thinking it's only been a month since the US presidential election. Yet it's still a topic of conversation in the media and elsewhere. Maybe that's because a lot of the issues that dominated the campaign are still unresolved.

The core issue, in my opinion, was this. Which institution is best equipped to deliver the American Dream -- the public sector or the private sector?

This has been a fundamental question in American life since the country was founded. I suspect it will be a hotly debated topic for some time to come.

We're no strangers to this debate in Canada. We may frame it differently than our American neighbours – given the differences in our history and culture. But it's nonetheless an important and recurring theme in our national discourse.

Unfortunately, the debate often gets ugly – on both sides of the border.

How many times have you heard sentences starting off with the words: “If only government were run like a business...?” You can fill in the rest.

The assumption is that private business has a lock on certain values – like efficiency, accountability, cost discipline, meeting deadlines, etc....And that these values are almost always absent from public sector institutions.

By the same token, the assumption is that private-sector involvement in any public activity – from garbage collection to health care – is a bad idea. It can, we are told, unleash a host of problems – including lower safety standards and less compensation and benefits for staff.

I reject these stereotypes and others like them.

I reject the view that a public business is always good; and a private one is always bad.

I equally reject the opposite view that only the private sector can get things done and that the public sector is hopelessly inefficient.

More to the point, we all need to reject these stereotypes if we want to move forward as a country and a province.

Because if we don't, we risk undermining our ability to address the very pressing challenges of our day.

Challenges that include:

- the environment;
- mass transit;
- health care;
- housing;
- economic growth, and of course,
- energy.

I believe both, working in partnership, have an important role to play.

The Conference Board of Canada tells us that over the next two decades, renewal of Canada's electricity infrastructure will require an investment of nearly \$350 billion – representing about 156,000 jobs a year and another \$10 billion added to our GDP.

That's a huge undertaking, with an enormous *payback*.

To meet the challenge, we'll need everyone's effort – public and private.

I believe each side brings important values to the table to help us succeed.

Furthermore, I believe positive attributes and values are not restricted to one or the other business model.

They're interchangeable.

Public companies can be efficient and innovative.

And private enterprise can certainly advance the common good.

There's nothing standing in either one's way.

Finally, I believe that by working together and combining the best the two sectors have to offer, we can create a compelling model for sustained prosperity.

I'm talking about individual organizations -- animated by both public and private business values.

This is where I believe OPG can make a contribution.

I believe we reflect elements of both worlds.

We're an OBCA (Ontario Business Corporations Act) company – not a crown corporation, owned by the people of Ontario... with an independent board and a commercial mandate... *and* with a heritage built on public sector values – service, stewardship, and regard for the common good.

- We put public, employee and environmental safety first and foremost.
- We take excellent care of the assets in our custody.
- We successfully manage massive new generation projects to help ensure future energy supply.
- And we serve ratepayers through our role as an electricity price moderator – by producing reliable, affordable power that receives the lowest price of any major Ontario generator.

At the same time, we're focused on efficient and effective management. Through our business transformation efforts we completely restructured the company. On May 3rd we moved to a centre-led matrix model, which created a company that's as resilient, efficient, and opportunistic... and as agile... as the best private sector entities. For example:

- Since January 2011 we reduced, mainly through attrition, our headcount from ongoing operations by more than 950.
- We're implementing further efficiencies to achieve additional headcount reductions, and
- We're sharply focused on developing our expertise in areas like project management to capitalize on emerging opportunities and strengthen revenue.

Like many private businesses, we also finance some of our projects through the capital markets – by issuing private placement bonds.

About two-thirds of our largest current project, the \$2.6 billion Lower Mattagami hydroelectric project, is being financed this way.

The same was true for our \$300 million Upper Mattagami hydroelectric project.

To date, our debt financing for these projects is \$625 million.

None of this comes from the public purse.

We bring something else to the table too.

We have considerable expertise developing and operating virtually all types of generation. We are a full-spectrum electricity company. And we want to leverage that expertise in other areas. Parts of northern Ontario, for example, still lack a developed electricity infrastructure....Sources like small hydro, purpose-built biomass, renewables and storage are all potential solutions. OPG would like to compete for the opportunity to provide these solutions.

In short, I believe we have a lot to contribute – to Ontario and to the industry.

In the area of generation development alone, we're currently investing over \$4 billion in projects representing hundreds of megawatts of clean, renewable hydropower – much of it in northern Ontario.

And we'll be investing billions more in large construction projects to refurbish our Darlington nuclear station and perhaps build new nuclear units.

We are also investing in keeping our Pickering plant operating up to the year 2020...All with a substantial payback in large amounts of electricity produced safely and free of direct greenhouse gas emissions... with a predictable price to consumers over several decades.

We're also converting our Atikokan thermal station so that it burns cleaner biomass fuel.

These projects generate significant benefits to all Ontarians -- in the form of economic spin-offs and new business development opportunities.

Not to mention the many years – and megawatts -- of electricity they will produce -- making the cost per kilowatt hour that Ontarians pay very competitive.

These projects also employ thousands of Ontario workers. This includes hundreds of workers from Ontario First Nations and Metis communities currently employed at our Lower Mattagami hydro site.

But **we can't – and don't -- do these projects by ourselves.**

We **need** and **want** partners.

We've forged relationships with thousands of partners across Ontario.

With First Nations and Métis peoples, many of whose communities host our new hydro projects and will share in their profits once they're operating.

With community organizations like the Durham Strategic Energy Alliance, which is working to make Durham an energy centre of excellence....

And with educational institutions like Durham College and the University of Ontario Institute of Technology – which offer important programs in nuclear energy and engineering.

Importantly, we have also developed relationships with literally **thousands** of Canadian contractors, vendors and suppliers -- private sector partners who aspire to the same goals and values as OPG.

This includes the strict ethical and business guidelines inscribed in our Code of Conduct, which we expect all our partners to follow.

Partners have been equally critical to our past projects and our current ones like:

- **the Niagara Tunnel**, a made-in-Ontario engineering accomplishment. It's 10.2 km long and one-and-a-half times wider than the Chunnel. It will serve Ontarians with clean electricity for more than 100 years. The completion of the tunnel is expected mid-2013. At peak production it employed more than 580 skilled workers.
- **Lower Mattagami** – another clean, sustainable electricity project that will provide about 440 MW of additional power at existing sites, reducing the environmental impact from the new generation;
- **biomass conversion at Atikokan**, and
- **the inspection and maintenance work on Pickering Nuclear**, which will allow us to continue to operate the six units to 2020.

And let me pause for a moment on Pickering – because Pickering is experiencing one of its best performing years in OPG's history.

And as I speak, the station has likely surpassed eight million hours without a lost-time accident: an incredible achievement in any large industrial plant.

Its reliability is improving, and we have combined the Pickering A and B stations into one -- improving efficiency with reduced costs and a streamlined management.

That is due in no small measure to the expertise of our highly-skilled management team who've raised the bar on performance at both our Darlington and our Pickering stations.

It is also due in no small measure to the work and initiative of the many partners we have assisting us in the plant's condition-improvement projects.

Partners will also play a huge role in refurbishing Darlington.

And it is our partners who helped OPG's Darlington station achieve a tremendous performance milestone this year.

The station was recognized internationally for performance excellence. Darlington is in fact the first plant outside of the United States ever to receive this recognition.

Our employees, and our partners, working together made this historic accomplishment a reality.

It is this level of performance... along with the plant's strong mid-life condition and...its very low operating cost – second only to some hydro plants -- that makes Darlington an excellent candidate for refurbishment...and continued service to Ontario electricity consumers for another 30 years.

We have already awarded some contracts in support of refurbishment and will be utilizing many more contractors going forward.

This is a 15 year project, so we're talking about a major partnership opportunity for Ontario and Canadian suppliers.

I think this is good for our industry.

The experience gained on OPG projects like Darlington can be used by our partners to advance their own business. It can broaden their expertise, help drive innovation, and develop and attract good employees. This in turn could lead to more business, more growth and more jobs for these companies – both inside and outside Ontario.

I've been told I talk too much about OPG in my speeches.

But I make no apologies. In fact, I'll soon be on Twitter so you will be hearing more about OPG through my tweets as well.

I'm proud of this company.

I'm proud of its heritage and history.

I'm proud of its people and achievements.

And I'm excited by its future potential.

We have firmly committed ourselves to both public and private values.

Because Ontarians don't just want a publicly-owned power company that serves the public.

They also want a public power company that succeeds as a business.

I want OPG to be the company that does both.

And I think Ontarians would like to see other organizations – public and private – do the same.

We won't get there by clinging to stereotypes, by undermining each other, or by thinking one sector is better than the other -- or that one sector can always do things better than the other.

We **will** get there by realizing we're all in this together...

...that we all can learn something from one another...

...that we're better **together** as partners.....and

...that ultimately, we all have the same goal – a **better, stronger** Ontario and a **better stronger** Canada.

Thank you.