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**To the**  
**Ontario Energy Network**  
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**The Time is Now:**  
**Ensuring Ontario's Electricity Supply at a Time of Economic Uncertainty**

**Introduction**

Good afternoon. I'm pleased to be here.

Before I arrived here today, I was thinking about how much has happened in the world over the past few weeks. There's been a national election in Canada. An historic presidential election in the U.S. An unprecedented constitutional crisis in Ottawa that's still unfolding. A global economic crisis. And to top it all off, Madonna just got divorced.

This has been a truly eventful time for all of us – including OPG.

When I last spoke here two years ago, I talked about OPG's performance improvement, some of our supply initiatives and our need for an adequate ROE to put OPG on a more sustainable financial footing.

Since then, OPG has continued to improve its performance in most areas. We have added some new supply initiatives to our list. Also, we recently received our first rate decision from the Ontario Energy Board which enables us to earn a somewhat higher rate of return on our regulated baseload assets. We will invest our improved cash flow into our operations here in Ontario to enhance performance and contribute to new supply.

However, what's on my mind today is the economy and its impact on Ontario's energy future – and more specifically, investment.

All of us are aware of the serious crisis that has gripped world economies during the past several months. Liquidity has dried up. Inventories are piling up. Jobs are at risk. And electricity demand in many jurisdictions is slowing down. In North America and much of the world, people and businesses are concerned about where it will all end.

When times are this bad, there is a great temptation to hunker down, to ride out the storm, and to stop investing in the future until brighter days return.

I am here to put forward the view that this is exactly the wrong approach when it comes to investing in Ontario's electricity supply.

Over the next two decades, the OPA estimates Ontario will need to invest \$60 billion in its energy infrastructure. This is necessary to ensure that Ontario has the electricity system going forward to support its economy – and do so in an environmentally responsible and sustainable way.

Now is not the time to have second thoughts about making these investments.

Electricity demand will grow over the longer term. We think of electricity as a source of power for business, industry and homes. But new uses for electricity are also being proposed. Electricity is being looked upon, for example, as a source of energy for transportation – especially automobiles. This will create additional opportunities for environmentally sustainable growth in electricity demand.

I don't want to see Ontario's energy industry miss these opportunities because it fails to make needed investments in its future – whether in generation, transmission or distribution.

## **How OPG is Contributing**

I'm here today to talk about how OPG is contributing to that future and to our energy infrastructure needs as a generator.

We're doing this by undertaking significant new generation projects...assisted by effective and innovative partnerships...and supported by a focused effort to make sure we have the workers we need for the task.

## **Generation Initiatives**

Our generation agenda represents one of the largest efforts of its kind in recent Ontario history.

- First, we've been selected by the Ontario government to operate two new nuclear units at our Darlington site. This will mean up to 3,200 MW of electricity for the Province's future energy supply.
- We're also assessing the feasibility of refurbishing our 2000 MW Pickering B station and our 3600 MW Darlington station.
- On the hydroelectric side, we're expanding our portfolio. We've completed about one-third of the Niagara Tunnel, which will last at least 90 years when finished. We have a new hydro station coming on line in January and are rehabilitating four others. We also have eight new hydro projects in various stages of planning, representing a potential total of almost 600 MW of additional clean, renewable power for Ontario.
- We're also exploring the possibility of powering some of our coal units with carbon-neutral biomass. We've had several successful test burns, including burning 100 per cent biomass at full power. Much work still has to be done to determine whether or not this is a practical alternative to coal. But initial results are promising.

By the time we're through evolving our generating portfolio, the majority of our capacity – with the exception of some gas and, potentially, some biomass -- will consist of nuclear and hydroelectric.

This, along with the fact that we are implementing the government's directive to stop burning coal by 2014, means that OPG will have one of the cleanest generating portfolios in North America

I have no illusions about the challenges we'll face in developing new generation.

Much progress has been made lately in securing new generation. But progress is difficult to come by.

To maintain momentum, we need to enhance the efficiency of our regulatory approval processes.

We need to find more effective ways to address citizens concerns.

We need to maintain our focus on energy investment across our sector.

These are big challenges, but the benefits are real if we succeed.

For politicians, investing in energy now will mean an increase in much needed jobs.

And for business people like many of us in this room, it means having a 21<sup>st</sup> century energy infrastructure in place – and ready to go – to fuel Ontario's future economy

As Ontario's generating company, OPG's new portfolio will provide a foundation that will allow others to build and expand the Province's green generation capability.

Our portfolio is also becoming increasingly energy efficient.

These efficiencies came primarily from the installation of high efficiency fans and turbines and improvements to precipitators and condensers at Nanticoke; and turbine runner upgrades across our hydroelectric business. Our efforts in energy efficiency have been recognized by both the Ontario and Canadian governments as well as by the U.S. Government.

In addition, as nuclear and hydroelectric increasingly dominate our generating mix, we will continue to maintain our strong performance in managing nuclear waste.

Our nuclear waste management operations have been safely storing and transporting nuclear waste for more than 35 years. Our waste management facilities also have earned long-term licences, underscoring their safe and effective performance. A strong safety culture is embedded throughout our waste management function – and across OPG. OPG also manages a \$4.6 billion Decommissioning Fund and a nearly \$4.8 billion Used Fuel Fund. These funds are designed to finance future expenditures associated with decommissioning our nuclear stations at end-of-life and storing and managing our nuclear waste on a long- term basis. While the value of our Decommissioning Fund has declined in 2008 due to market volatility, these long-term funds will be there when they are needed.

We are doing the right thing with nuclear waste – by ensuring that future generations are not burdened with the financial costs of its management and storage.

At OPG, the safe management of nuclear waste is something we are good at and very proud of.

## **Partnerships are Key**

To facilitate development of our evolving generation mix, OPG is making effective use of a wide range of partnerships.

Some of these are traditional partnerships with government, the private sector and communities. Others explore new horizons. All are designed to provide the best energy solutions for Ontario going forward.

At the government level, for example, we are working closely with our partners and with Infrastructure Ontario to select the reactor technology for Darlington. This is a critically important step in the nuclear new build process.

We're also involved in generation-development partnerships. A good example is the 550 MW, gas-fired Portlands Energy Centre in downtown Toronto.

The first phase of this project was on-line, on-time...and on-budget. We're constructing phase two now, which is also expected to be completed ahead of schedule and on budget.

Portlands has good stakeholder support -- including strong support from Chuck Stradling of the Building Owners and Managers Association (BOMA) of the Greater Toronto Area. Chuck, who is here today, is executive vice president of BOMA -- one of the major organizations representing Toronto's commercial real estate industry.

Portlands also has good community support, mainly due to its staff who continue to work effectively with local residents.

These factors contributed to Portlands being chosen Energy Company of the Year by the Ontario Energy Association. This was a well-deserved honor for a well managed project.

Our success with Portlands was due to the excellent synergy we had with our partner, TransCanada Energy, which has extensive experience in gas-fuelled generation development.

A big success factor involved the project's construction team. It came to Portlands fresh from another gas project in Quebec. The team had experience, continuity and momentum -- a combination that proved invaluable. The importance of these three factors to the success of any generation project is a key take-away for all of us.

On the community front, we are fortunate to have very good working partnerships with our site communities. OPG communicate on a regular basis with community leaders and residents about our operations. We do it through face-to-face contact, open houses, neighbourhood walks, public meetings, newsletters and the media. These activities build trust and confidence in OPG, which in turn helps earn for us the right to operate in site communities.

At this point I would like to acknowledge two valued community partners who are here today – Mayor Dave Ryan of Pickering and Mayor Jim Abernethy of Clarington. Thank you both for coming.

I now want to turn to some creative partnerships that we have recently undertaken.

In the area of hydroelectric development, we work very closely with First Nations communities across northern Ontario. These partnerships enable our hydro initiatives to go forward by delivering long-term economic benefits to First Nations communities through equity participation in those projects.

Our leadership in this area has been acknowledged by First Nations leaders and others. I am pleased to announce that later this month we will celebrate the signing of a partnership agreement between OPG and the Lac Seul First Nation. We are working on similar equity partnerships with other Ontario First Nations groups.

In another innovative partnership, we're working with the forestry and agricultural sectors in Ontario, along with storage and transportation specialists, to help promote a supply chain in carbon-neutral biomass. If biomass proves practical as a replacement fuel for coal – and meets the criteria we have established -- it could lead to the creation of a whole new industry for Ontario and the jobs and enterprise that go with it.

In the environmental area, we are working with Ontario's automotive sector to promote plug-in electric cars. You may have seen our ads on TV. They show Ontarians driving home, plugging-in their cars for the night, and driving off to work the next morning. The cars are recharged from electricity produced by OPG's cleaner generation mix. The initiative is a perfect match of business and environmental interests: clean cars powered by clean energy. That's a "win-win" by anyone's standard.

### **We are Revitalizing Our Workforce**

The sheer magnitude of the projects on our plate requires a large pool of employee talent to get the job done.

This brings me to my third area of focus – how we are revitalizing our workforce to support of our generation initiatives.

The Electricity Sector Council estimates that our industry must replace 25,000 people – or 30 per cent of its workforce – over the next six years to meet Canada's energy needs.

OPG's situation reflects this trend. We have approximately 12,000 employees. The average age is 45 years; but at least 36 per cent are over the age of 50. Between now and 2012, we estimate that we need to replace between 25 to 30 per cent of our highly skilled and trained workforce -- about 3,400 employees -- simply to meet our current needs.

One way OPG is addressing the challenge is by working with industry groups like the Electricity Sector Council to raise awareness about the issue and collaborate to find solutions. It serves no one's interest – certainly not Ontario's -- if we're all competing **against** each other for a shrinking piece of the labor market pie.

We need to work together to expand that market. That's what our work on the Sector Council -- along with organizations like Hydro One, the Power Workers' Union, and others -- is trying to achieve.

OPG also has strong relationships with institutions like the University of Ontario Institute of Technology and Durham College.

We fund research chairs at six Ontario university engineering schools.

We also actively recruit on both university and college campuses. We recruit in both the Trades and Engineering. This week we're making over 100 job offers to new university graduates.

Our goal is to have OPG continue to be a rewarding place to work.

To this end, we have again received awards as one of the Top 100 Companies to work for in Canada and one of the Top 75 companies to work for in the GTA.

Industry and educational partnerships help ensure that we have the people we need to advance our success.

### **Conclusion**

In conclusion, I want to reiterate that investing in generation during times of economic uncertainty is difficult but sometimes necessary. It is something you do because you have to do it. Investment in new generation for Ontario has been delayed far too long.

As an industry and a society, we have a power system in need of renewal. We have partnerships that are willing to contribute. And we have a workforce that we must replenish and revitalize.

I can't predict the future. But I can tell you with certainty that the current economic and financial crisis will not last forever. It will end. When it does, Ontario will need a strong electricity generating capability to support the economy.

The energy investments we make today will pay huge dividends for Ontario's economic success.

The time to renew Ontario's generation system is now.

The Ontario government has set an ambitious goal for our industry – to create one of the lowest CO<sub>2</sub>-emitting electricity systems in the world.

OPG is committed to that goal. I believe our industry is committed. Let's move forward and make it happen.

Thank you.