

Tom Mitchell
Chief Nuclear Officer
Ontario Power Generation
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OPG the Durham Community: Partners for the Future

Introduction

Good evening. It's a pleasure to be here. Thank you for inviting me.

I want to recognize Don Terry as he steps down from the presidency of the Ajax-Pickering Board of Trade and thank him for his leadership in the community and in our company.

As you know, the Federal Government brought down its budget earlier today. I understand it's customary for finance ministers to wear new shoes for the occasion. Given the announcements today regarding infra-structure projects, I thought it might be appropriate for Jim Flaherty to wear safety shoes and I understand he did just that. By the way, we have lots of those at Pickering and Darlington in case anyone needs to borrow a pair.

My remarks today will touch on the economy, but they are mainly about investment – specifically OPG's investment in the future and the positive impact this can have on Ontario and Durham Region.

I won't minimize the seriousness of the current economic situation. It's tough out there. Liquidity has virtually dried up on many fronts. Inventories are piling up. Jobs have been lost and more are at risk. Consumer confidence has plunged.

In many jurisdictions, electricity demand is also slowing down.

Throughout North America and much of the world, people and businesses are concerned.

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

This is exactly the wrong approach to take when it comes to Ontario's electricity supply. OPG President Jim Hankinson made this point in a speech he delivered last month to the Ontario Energy Network. Mayor Dave Ryan, who is here tonight, was at that event. I think Jim Hankinson was bang on in his assessment.

Over the next two decades, the Ontario Power Authority estimates Ontario will need to invest \$60 billion in its energy infrastructure. This money is necessary to ensure the Province has the right 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. Now is the time for action.

I believe electricity demand will grow over the longer term. It's possible that totally new sources could be driving this demand. We tend to think of electricity as a source of power for business, industry and homes. And it is. But new uses are also being proposed. Electricity is being looked upon, for example, as a source of energy for transportation – especially automobiles. This could open up whole opportunities for environmentally sustainable growth in electricity demand.

If we want to capitalize on these opportunities, we need to invest in Ontario's future electricity infrastructure now -- whether it's in generation, transmission or distribution.

How OPG is Contributing?

OPG is investing in Ontario's future.

We're doing it 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.

It's an exciting story, and I like to share some of it with you.

Generation Initiatives

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

- 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. This represents an investment in reliable, baseload generation that will last for 60 years. The jobs and business created by this project will have a major and positive impact on Ontario -- and this region -- for many years as well.
- We're also assessing the feasibility of refurbishing our 2,000 MW Pickering B station and our 3,600 MW Darlington station. In fact just yesterday afternoon, we received word the Canadian Nuclear Safety Commission approved the Environmental Assessment for Pickering B Refurbishment. We're pleased by the decision, which reflects the comprehensive, open and transparent manner in which OPG conducted the EA. The Environmental Assessment is one input to the ultimate decision on whether to refurbish Pickering B. OPG continues to work with the CNSC to complete the Integrated Safety

Review of the plant. Another key consideration is the financial impacts of refurbishment on the corporation and ratepayers. All of these components will provide OPG's Board of Directors the information it requires to make a sound business decision.

- We're expanding our portfolio on the hydroelectric side as well. We have 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 very soon in Northwestern Ontario; and we are rehabilitating four other hydro stations – also in northern Ontario. 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.

- In addition, we're exploring the possibility of powering some of our coal units with carbon-neutral biomass. We've had several successful test burns, including burning 100 percent 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, we will have made a substantial investment in generation infrastructure. This investment will benefit every man, woman and child in Ontario. It will ensure for them a secure, reliable and environmentally responsible source of electricity for many years to come.

Equally important, 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.

Partnerships

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. One example is the 550

MW gas-fired Portlands Energy Centre in downtown Toronto, in partnership with TransCanada Energy. TransCanada has extensive experience in gas-fuelled generation development. The synergy between OPG and TransCanada was an important factor in the project's success. We completed the first phase of Portlands last spring, on-line, on-time...and on-budget. We are now virtually complete with phase two – five months ahead of schedule and also on budget. In September, Portlands was chosen Energy Company of the Year by the Ontario Energy Association -- a well-deserved honor for a well managed project.

In another innovative partnership, we're working with Ontario's forestry and agricultural sectors, along with storage and transportation specialists, to help promote a supply chain in carbon-neutral biomass. Last week, for example, we issued a call to potential suppliers of biomass fuel and transportation services. We also had a very successful biomass information session with key stakeholders to help them learn more about our biomass program, its direction and future requirements. 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.

On the environmental front, 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.

Turning to community partnerships, 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. This past December, OPG signed a groundbreaking partnership agreement of this kind with the Lac Seul First Nation. We are working on similar equity partnerships with other Ontario First Nations groups. OPG's leadership in this area has been acknowledged by First Nations leaders and others.

We are also fortunate to have strong partnerships with other site communities where we operate. This includes our very good relationship with the Durham community.

Here in Durham and elsewhere, OPG communicates on a regular basis with community leaders and residents about our operations. We use a variety of approaches – including

face-to-face contact, open houses, neighbourhood walks, public meetings, newsletters and the media.

We are also active members in organizations such as the Durham Strategic Energy Alliance, Durham Economic Prosperity Committee, the Oshawa Strategic Adjustment Committee, boards of trade, and chambers of commerce.

These activities help build bonds of trust and confidence, which in turn helps earn for us the right to operate in site communities like Durham.

In response, the Durham community has been there for OPG when it matters. I truly appreciate this support and so do our employees.

We received strong community support last year for the licence renewal applications we submitted to our regulator, the Canadian Nuclear Safety Commission. All three nuclear facilities that applied received renewals – five years for Darlington and Pickering B, and 10 years for the Pickering Waste Management Facility. These are the longest duration licences the CNSC grants. They are a testimony to our commitment to safe operations and to the strong community relationships that we have here.

We also received great community support for our nuclear new build proposal. This support was definitely instrumental in the Ontario Government's decision to select OPG as the operator of two new nuclear units at our Darlington site. Looking ahead, this initiative promises to bring long-term economic benefits to Durham and to Ontario – in terms of jobs, economic growth, and infrastructure renewal. It's not just a "win" for OPG. It's a "win" for everybody.

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 and final area of focus – how OPG is revitalizing its workforce in support of our generation initiatives.

This is a challenge, to say the least.

The Electricity Sector Council estimates that the electricity 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 – about 7,500 of whom work in our nuclear operations. Their 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 building strong relationships with institutions like the University of Ontario Institute of Technology (UOIT) and Durham College. We have worked with these institutions to develop courses on subjects such as Nuclear Engineering, Nuclear Technology and Power Engineering.

We have invested \$10 million over five years in UOIT. This support helped provide state-of-the art equipment for the OPG Engineering Building at UOIT – which has become one of Ontario’s premier engineering training facilities. The building opened in September 2006 – with over 40,000 square feet of space, including 17 state-of-the-art labs for students and faculty.

We also fund research chairs at six Ontario university engineering schools and actively recruit on university and college campuses. We recruit in both the Trades and Engineering.

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

Last December, we made over 100 job offers to new university graduates.

Our goal is to have OPG continue to be a rewarding place to work for both experienced and new employees.

We seem to be on the right track. In 2008, we 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.

Conclusion

In conclusion, I want emphasize that OPG is committed to Ontario including Durham Region.

That commitment includes operating our plants at the highest levels of safety. As a nuclear generating operating in your communities -- where you live and your families live -- we put safety before everything else. It’s our fundamental value.

Our commitment also includes operating our plants as effectively as possible. Nuclear plants are valuable pieces of technology. It's important that Ontario gets the best value for its money and investment. To this end, in 2008 we completed a review of support services across the entire company and have undertaken a number of changes that will net greater productivity at less cost. As part of these efforts, we have further increased our already strong commitment to finding energy efficiencies in all our operations. We strive to work as hard to save a kilowatt as we do to make one.

In addition, our commitment includes community involvement. I mentioned several ways that OPG actively participates in the life of Durham's communities. We also help support community, educational and environmental initiatives through our Corporate Citizenship Program. Our nuclear employees – many of whom live in Durham -- are also deeply engaged, as volunteers, citizens and good neighbours. In 2008, OPG employees in Durham contributed \$847,000 to help support charitable causes of their choice. That's a strong demonstration of commitment.

Finally, we're committed to Ontario and Durham through the investments we make to operate our facilities. In 2008, OPG spent \$1.4 billion in Ontario, excluding fuel purchases. Our payroll for 2008 was also around \$1.4 billion for Ontario. Of that, we paid over \$900 million to OPG employees and contract workers employed at the Darlington and Pickering stations and in the broader Pickering area. Our economic investment to this Province and Region is considerable, and it will continue.

I want to reiterate that investing in generation in times of economic uncertainty may be difficult but it is 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. Our workforce will be vital to providing Ontario with reliable and secure electricity that has the right environmental footprint.

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 – a capability will support the economy; help communities prosper; power our businesses, hospitals and schools; and provide comfort and security to families through the Province.

The energy investments we make today are necessary to make this future a reality. They will pay huge dividends for Ontario's – and Durham's – economic and social success.

Thank you.