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NOTES FOR REMARKS

Introduction

Thank you for that introduction, John. Good afternoon, everyone. I appreciate the opportunity to meet with you and talk a bit about OPG. I have looked forward to this event for some time. I enjoy the Cornwall area and am looking forward to getting to know many of you better.

OPG and the Cornwall community share a long and productive history going back some 50 years and more. Over the next few minutes, I'd like to share with you my thoughts on our relationship and some of the ways we intend to enhance it going forward.

Overview of OPG

Before doing that, I want to first give a brief update of OPG and our operations. As you'll see, a lot has been happening that you may find interesting.

For those who may not be familiar with us, OPG was established as a commercial company in 1999. 100 per cent of the company's shares are owned by the Province of Ontario.

Our primary business is to generate electricity. Unlike our predecessor, Ontario Hydro, we are not responsible for generating virtually all of Ontario's electricity needs. We are one of several producers within Ontario's hybrid electricity market.

We are, however, the largest electricity producer in Ontario and generate about 70 per cent of the electricity consumed in the Province. We do this through our balanced and flexible portfolio of nuclear, fossil-fuelled, and hydroelectric generating stations. As you will hear from me today, we are proud of the role we fulfill in the market and the electricity we provide to Ontario.

Nuclear Operations

The nuclear side of our business consists of three nuclear stations in the Durham region east of Toronto. We operate 10 nuclear reactors at these facilities and are in the process of placing two others in safe storage. Our nuclear units represent about 30 per cent of our installed generating capacity. In 2007, they produced about 29 per cent of all the electricity consumed in Ontario.

Our Darlington nuclear station, which had an excellent year in terms of performance, produced nearly 18 per cent of Ontario's electricity in 2007. Darlington is recognized by its peers as one of the top performing nuclear stations in North America.

We are currently exploring the prospect of building potential new nuclear units at our Darlington site, to meet Ontario's growing electricity needs. If approved by our Shareholder, this will be a significant undertaking, creating major employment and other opportunities for many local communities in Ontario.

We are also exploring the possibility of refurbishing our Pickering B and Darlington nuclear stations as they approach the end of their performance lives. Since we're a commercial company, any decision to proceed with either of these refurbishments will be based on a solid business case.

Fossil Operations

OPG also operates five fossil-fuelled stations across Ontario, accounting for approximately 30 per cent of our capacity. These stations are used primarily to help meet periods of peak electricity demand each day and are especially valuable in meeting electricity needs when demand is at its highest – such as in the summer. Their ability to start up and shut down relatively quickly makes them ideal for this task. OPG takes pride in operating its fossil stations in an environmentally responsible manner. Today, they generate fewer smog-producing emissions than in the 1980s, while generating the same amount of electricity or more. We have also launched a biomass testing program at some of our fossil plants to help reduce carbon dioxide emissions.

Another of our fossil initiatives is the Portlands Energy Centre which we are constructing in downtown Toronto in partnership with TransCanada Energy. Portlands is a 550 MW combined cycle gas facility. The project is on budget and on time and will be producing its first power this summer. It will be fully operational in 2009.

Turning from gas to coal, OPG has been directed by our Shareholder to stop burning coal at its coal-fired stations by 2014. Between now and then, we will continue to operate them efficiently, productively and responsibly – with targeted investments to maintain their operational strength. This strategy has contributed to improved reliability at our fossil stations. In 2007, our fossil reliability was the best it's been since 2000.

Hydroelectric Operations

I now want to turn to what I consider the best part of generating fleet – our hydroelectric business. OPG owns and operates 64 hydroelectric stations and over 238 dams on 26 rivers across Ontario. These stations have an average age of 73 years – the youngest being 13 years and the oldest being 108 years old. Our Chats Falls station on the Ottawa River recently celebrated 75 years of service.

As you would expect, it's critical to keep these assets well maintained. And we do. Since 1992 our runner upgrade program has added over 425 MW to our hydroelectric capacity – including 12 MW in 2007.

Good maintenance and equipment reliability also contributed to the excellent availability of our hydro stations. In 2007, our hydro stations were available to produce electricity well over 90 per cent of the time when the water was there. That is the best availability rate we have had since 1984 and represents top quartile performance with the industry.

Overall, our hydro stations account for 31 per cent of OPG's capacity and in 2007 produced 21 per cent of all electricity consumed in Ontario.

Hydroelectric Expansion

Our hydroelectric stations are extremely valuable assets for the Province. The power they produce is clean, renewable, cost effective and reliable. This is no small advantage in a world deeply concerned about preserving clean air and mitigating climate change.

The Ontario government has recognized the importance of hydropower and has made it part of OPG's mandate to expand our hydroelectric presence in Ontario. We currently have two design-build projects whose construction we are overseeing.

One is the Niagara Tunnel, which is a 10.4 kilometre tunnel being excavated under the city of Niagara Falls. It will allow our Beck generating stations to increase their average annual energy output by 1.6 TWh – which is enough energy to power a city twice the size of Niagara Falls. Once constructed, the tunnel will remain in service for about 100 years before any maintenance is needed. I wish I could say that same thing about my car's operating performance!

Our other project is the 12.5 MW Lac Seul hydroelectric station in northwest Ontario, which we expect to have finished later this year.

In addition to these initiatives, we also have a number of proposed hydroelectric projects in various stages of development across Ontario. These include a major expansion project on the Lower Mattagami River that would add about 450 MW to our hydro capacity...as well as smaller potential projects on the Upper Mattagami, Abitibi, Montreal, and Little Jackfish Rivers and elsewhere.

In addition, this past December the Ontario Ministry of Energy directed a key agency – the Ontario Power Authority – to negotiate Energy Supply Agreements on many of these proposed projects. This will provide revenue certainty to OPG and will significantly facilitate their progress.

Our progress on many of these projects is dependent on reaching successful settlements – including equity participation agreements – with First Nations groups. OPG has an official First Nations policy approved by our Board of Directors. We also have a number of outreach initiatives underway within First Nations communities. In 2007, we settled two past grievances with First Nations groups and signed Agreements in Principle with three others to resolve outstanding issues. We are currently conducting a number of additional negotiations and discussions with other First Nations communities. We look forward to their positive outcome.

OPG and the Cornwall Community

As you can see, hydroelectric power and its ongoing development are very much on OPG's agenda. We are committed to hydropower and we are committed to communities that host our hydroelectric facilities and other assets. This includes the Cornwall community – where we've had a relationship, as I said, for more than 50 years.

And the foundation of our relationship – its bedrock, if you will – is the R.H. Saunders generating station right out there on the great St. Lawrence River.

Saunders is celebrating its 50th year of operation this year. It's the flagship station in our hydroelectric fleet. Along with our Beck generating stations near Niagara Falls, it is the most prestigious and storied of all our assets. It's also a symbol of our commitment to this community.

That commitment is strong. It's based on trust, accountability, openness and responsibility – a responsibility to do our part and to give back to the community by contributing to its quality of life and economic development.

Over the years, OPG has lived up to its responsibility. Here are a few examples of how we contribute:

- Since 1990, OPG and its predecessor company – Ontario Hydro – have invested about \$140 million dollars in the Saunders generating station to maintain the plant's high level of reliability. We plan to continue to make investments that will improve the performance of the station. These investments often benefit local businesses and other elements of the community.
- Also at Saunders, we employ about 65 employees. Many live in the region, own homes and raise their families here. In doing so, they contribute around \$4 million annually to the local economy through consumer spending
- In 2007, our Corporate Citizenship Program contributed \$95,000 to help support nearly 50 local initiatives. These included the Cornwall Community Hospital; Future Arena Project; Liftoff 2008; the City of Cornwall Alert Network; Seaway Valley Crime Stoppers, the St. Lawrence River Institute; and the Eastern Ontario Children's Water Festival.
- Our most recent effort was a \$25,000 donation made last month to the Cornwall Community Hospital Foundation to help fund a new ultrasound machine.
- OPG also helps support many cultural, environmental, health-related, and amateur sports initiatives across the community. In June of last year, we contributed substantially to the construction of a new beach house for the Village of Iroquois.

- On the safety front, around 3,000 students in Cornwall and the United Counties received information last year on water safety. This information was communicated through presentations in schools; at local fairs; at community events; and at venues like the Eastern Ontario Children's Water Festival.
- We also supported, through advertising, the new Akwesasne Lacrosse Stadium field.
- In keeping with our commitment to openness and transparency, we mailed out last December more than 140,000 copies of our Ottawa/St. Lawrence Plant Group newsletter – *Neighbours* – to residents throughout our host communities.
- Each year OPG also provides achievement awards to six area high schools to help graduating students. Two awards are given to each school and are individually valued at \$500.

These are representative examples only. If I added up all the initiatives OPG has helped support in Cornwall over the past three years, they would total more than 100 – at a value of about \$150,000. This is in addition to the numerous hours of volunteer work our employees willingly perform in the community.

These contributions are not hand-outs or charity. They are investments that we believe help contribute to the quality of life in the Cornwall area. You have given us your advice, your trust and the licence to operate in your community. As a good corporate citizen, it is only natural that we would want to invest in the community that has given us so much. This is a “win-win” situation. I believe it’s helped solidify the bonds between OPG and Cornwall and contributed to a more positive and effective partnership between us.

Tax Issue

Even the best relationships, however, are sometimes subject to strain through misunderstanding – which brings me to the recent issue involving the Saunders generating station and payments in lieu of property taxes.

This issue dates back to 2001 when the Ontario Government, our Shareholder, passed legislation changing the tax treatment of hydroelectric facilities owned by OPG and other power producers.

Under that legislation, property taxes paid to municipalities and school boards by hydroelectric generators were eliminated. In their place, the legislation created a Gross Revenue Charge into which hydro producers like OPG made payments that we had previously made to municipalities. In return, the new legislation provided for full compensation of municipalities for the money they had received under the older system. This compensation is in the form of grants-in-lieu of property taxes and is paid by the provincial government.

Here's where the problem arises. **Since that time**, property values of hydroelectric stations – including Saunders – have been reassessed significantly higher by the Municipal Property Assessment Corporation (MPAC). These assessments are independent of the grants-in-lieu paid by the province.

The whole issue is a tax policy issue and falls under the authority of the Ontario Ministry of Finance. Despite this, it's been suggested that OPG is somehow the bad guy. That is simply not true. We are paying our fair share under the Gross Revenue Charge mechanism – as we have done since the legislation was changed in 2001. We will continue to pay our fair share of these taxes – as mandated by law – under the GRC.

In my opinion, your best course of action is to take this matter up with the Ontario government. This is not an OPG issue. It's an issue between the Cornwall area community and the Province. That is the level where the matter should be discussed and hopefully settled.

I'm glad to have the opportunity to address this issue. It does a disservice to our record of involvement in the community and to the positive relationship we have fostered with you over the years. I truly hope that as we go forward it will be resolved to everyone's satisfaction.

New Information Centre and Saunders 50th Anniversary Celebration

Having made that point, we will not allow this issue – or any issue – to overshadow our relationship with you, which is most important to us.

Our commitment to Cornwall will continue to be strong, active and ongoing.

It is in this spirit that OPG is establishing a major public information centre adjacent to the Saunders generating station. Among its functions, the Centre will be a setting for the Cornwall community to tell its story about its role in the development and success of Saunders over the past 50 years.

It will also act as a focal point to showcase the historical contribution hydroelectric power has made to Ontario – and continues to make, as a source of clean, renewable and affordable power. Few Ontarians today appreciate the full significance that hydroelectricity, Saunders and Cornwall have played in their history. This Information Centre will help address that, by giving us the opportunity to communicate the facts to a wide audience.

In addition, the Centre will provide valuable information on OPG's safety initiatives – including our public water safety program.

We also believe the new Centre will attract more tourists to the region and encourage them to extend their visits here – overnight and even longer.

To ensure that all stakeholders were represented and their views heard, we held several meetings late last year. Some of you were at those meetings. As a result, a strong consensus for the Centre has been achieved, and we are ready to move this important initiative forward. The project is now in the design stage, but we hope to start construction soon. We are targeting the Centre to be open to the public in 2010.

Parallel to this initiative, we will – as I mentioned – be celebrating in June of this year the 50th anniversary of the official opening of Saunders. It will be a premier event, worthy of the heritage of this great power facility and its performance as a safe, reliable and clean producer of electricity. Planning is well underway. It includes arrangements for an official ceremony, an open house, station tours and displays highlighting the history of the station.

On the evening of June 27, which is a Friday, there will be an event at St. Lawrence for employees, retirees and our stakeholders. As some of our most important stakeholders, you are all invited to attend and we look forward that.

The following day – Saturday, June 28, from 10AM to 3PM – there will be an Open House at Saunders for the general public. We hope to see to you there as well. During the open house, there will be an unveiling of a special commemorative plaque at 1PM. Full details of the entire celebration will be available shortly, so stay tuned.

We expect the event will generate considerable spin-off benefits for the community. We are very excited.

Conclusion

If I had to sum up in a few words what I just spent the last 20-30 minutes talking about it would simply be that OPG is an integral part of the Cornwall community. As part of this community, we believe we have a responsibility to you. This means many things.

It means operating our facilities safely, efficiently and in a manner that sustains the environment.

It means contributing to the community and supporting those institutions that help make the Cornwall area a better place to live – for everyone.

And it means having pride in the community – pride in our heritage; pride in who we are; and pride in what we can together accomplish going forward.

I believe OPG is fulfilling its responsibility in all these areas. We will continue to do so. The Cornwall area community can depend on OPG.

Thank you. I'd be happy to answer any questions.