OVERVIEW OF OPG

1.0 PURPOSE

This evidence provides an overview of OPG, including an overview of its key assets, corporate governance and organization, and an explanation of OPG’s mandate and objectives. This information provides context for the evidence presented within the Application. OPG’s regulated hydroelectric and nuclear businesses are described in Ex. A1-T4-S2 and Ex. A1-T4-S3, respectively.

2.0 CORPORATE OVERVIEW

OPG is an electricity generation company whose principal business is the generation and sale of electricity in Ontario. OPG’s focus is on the effective stewardship of generation assets owned by the people of Ontario. This is achieved by focusing on: (i) the safe, reliable operation of its facilities including the avoidance of harm to employees, contractors, and the public at large, (ii) the management of these facilities by maintaining a strong focus on delivering value for money, and (iii) adhering to the highest standards of corporate citizenship, including a commitment to environmental and social objectives.

As part of its business, OPG owns and operates both regulated (and prescribed) and unregulated generation facilities. The regulated facilities, which are the subject of this Application, consist of three nuclear generating stations with a total capacity of 6,606 MW and six hydroelectric generating stations (the regulated hydroelectric facilities) with a total capacity of 3,302 MW for a combined regulated generating capacity of 9,908 MW.

While not regulated facilities, the Bruce A and B Generating Stations have an impact on the calculation of the payment amounts. These stations are owned by OPG but leased on a long-term basis to Bruce Power L.P. The revenues from the lease, net of costs, are used to reduce the payment amounts for the regulated facilities.

The locations of the regulated facilities and other OPG facilities are illustrated on the map provided as Attachment 1.
In 2009, the regulated hydroelectric facilities represented 15 per cent of OPG’s in-service generation capacity and generated 19.4 TWh or 21 per cent of OPG’s energy production. The nuclear facilities represented 30 per cent of OPG’s in-service capacity and generated 46.8 TWh or 51 per cent of OPG’s energy production. Together the regulated facilities represent 28 per cent of the total generating capacity in the Province of Ontario. Further details on the regulated facilities are provided in Ex. A1-T4-S2 and Ex. A1-T4-S3.

In addition to generating electricity for sale to the IESO-administered market, OPG’s regulated assets sell ancillary products to the IESO markets, including operating reserve, voltage control/reactive support, black start capability, and automatic generation control. Revenues associated with sales of ancillary products from the regulated facilities are discussed in Exhibit G - Other Revenues.

3.0 OPG GOVERNANCE AND ORGANIZATION

OPG’s Board of Directors (“OPG Board”) is appointed by the shareholder. The OPG Board currently has 12 members, who bring substantial expertise in managing large businesses, managing and operating nuclear stations, managing capital intensive companies, and overseeing regulatory, government, and public relations. The OPG Board has established the following committees to focus on areas critical to OPG’s success:

- Audit/Risk Committee: This Committee is responsible for reviewing OPG’s regulatory filings including financial statements, Management Discussion and Analysis, and press releases prior to their disclosures to the public. This Committee is also responsible for overseeing the internal audit function, the work of external auditors including their nomination and compensation, and ensuring that the Company has adequate controls in its financial reporting and risk management processes, and complies with regulatory requirements and internal policies in these areas.

- Governance and Nominating Committee: This Committee develops governance principles for OPG that are consistent with high standards of corporate governance. On an ongoing basis, it reviews and assesses OPG’s system of corporate governance with a
view to maintaining these high standards. This Committee also identifies and recommends candidates for election or appointment to the OPG Board to be put before the shareholder in the event of a vacancy on the OPG Board.

- Nuclear Operations Committee: This Committee is responsible for oversight of safe and efficient operations of OPG’s nuclear business. The Committee monitors regulatory compliance of OPG’s nuclear facilities and reviews reports on independent oversight of OPG’s nuclear operations. It also oversees OPG’s nuclear management and organizational matters, security of OPG’s nuclear facilities and substances, and OPG’s nuclear waste and decommissioning liabilities and management.

- Investment Funds Oversight Committee: This Committee assists the OPG Board in fulfilling its responsibilities for the OPG pension fund, the used fuel fund, and the decommissioning fund. This Committee provides oversight of the investment of assets, investment-related liabilities, and the management of any surplus or deficit in the funds.

- Compensation and Human Resources Committee: This Committee focuses on human resources-related areas including compensation practices, disclosure on compensation and human resources matters, and leadership talent review including succession planning. The Committee also oversees human resources policies related to employee complaints, diversity and pay equity, organizational design, labour relations, pension plans and policies, and OPG Board compensation, education and evaluation programs.

- Major Projects Committee: This Committee assists the OPG Board in providing oversight of major non-nuclear electricity supply projects, including project development, contracting, financing, and construction monitoring.

- Nuclear Generation Projects Committee: This Committee was formed in 2006 following direction from the shareholder to: (1) begin feasibility studies on refurbishing its existing nuclear units, and (2) to begin a federal approvals process, including an environmental assessment, for new nuclear units at an existing site. This Committee assists the OPG
Board in providing oversight of the new nuclear plant projects and the refurbishment and life extension projects for existing nuclear plants.

OPG’s senior management team is led by OPG’s President and Chief Executive Officer (“CEO”), who is also a member of the OPG Board. The leaders of the nuclear and regulated hydroelectric business units (i.e., the Chief Nuclear Officer, the Executive Vice President - Nuclear Projects, Refurbishment & Support, the Executive Vice President - Darlington New Nuclear Project and the Executive Vice President - Hydroelectric) all report to the President and CEO. The organization and management of the nuclear and the regulated hydroelectric business units, which are the subject of this Application, are described in greater detail at Ex. A1-T4-S2 and Ex. A1-T4-S3, respectively.

On the corporate side of the company, reporting directly to the President, are the various functions that provide the necessary support to the operational business units. These include functions such as Business Services and Information Technology, Finance, Human Resources, Law, and Corporate Affairs. Please refer to the organizational chart provided at Ex. A1-T5-S1 for further detail.

4.0 OPG’s MANDATE AND OBJECTIVES

In addition to being governed by the various policies established by the OPG Board and its senior management, in areas such as safety, Code of Business Conduct, disclosure and the environment, OPG is subject to the terms of a Memorandum of Agreement between the shareholder and OPG, dated August 17, 2005 (the “Memorandum of Agreement”), which sets out the shareholder’s expectations regarding OPG’s mandate, governance framework, generation performance and investment, financial framework and communications. The Memorandum of Agreement states that “OPG will operate as a commercial enterprise with an independent Board of Directors, which will at all times exercise its fiduciary responsibility and a duty of care to act in the best interests of OPG.” The Memorandum of Agreement is provided in Attachment 2.
The Memorandum of Agreement further states that the shareholder may at times direct OPG to undertake special initiatives, which will be communicated as written declarations by way of a Unanimous Shareholder Agreement, or Declaration, in accordance with section 108 of the *Ontario Business Corporations Act* and made public. Copies of the shareholder directives that OPG has received are posted on OPG’s website at: 

http://www.opg.com/about/governance/open/directives.asp.
LIST OF ATTACHMENTS

1

2

3 Attachment 1: Map showing locations of the regulated facilities and other OPG facilities

4

5

6 Attachment 2: Memorandum of Agreement between the Shareholder and OPG
All values shown are maximum continuous rating (MCR) rounded to MW. MCR is the maximum output of a station under normal operating conditions.
Memorandum of Agreement

BETWEEN

Her Majesty the Crown In Right of Ontario (the "Shareholder")
And
Ontario Power Generation ("OPG")

Purpose

This document serves as the basis of agreement between Ontario Power Generation Inc. ("OPG") and its sole Shareholder, Her Majesty the Queen in Right of the Province of Ontario as represented by the Minister of Energy (the "Shareholder") on mandate, governance, performance, and communications. This agreement is intended to promote a positive and co-operative working relationship between OPG and the Shareholder.

OPG will operate as a commercial enterprise with an independent Board of Directors, which will at all times exercise its fiduciary responsibility and a duty of care to act in the best interests of OPG.

A. Mandate

1. OPG’s core mandate is electricity generation. It will operate its existing nuclear, hydroelectric, and fossil generating assets as efficiently and cost-effectively as possible, within the legislative and regulatory framework of the Province of Ontario and the Government of Canada, in particular, the Canadian Nuclear Safety Commission. OPG will operate these assets in a manner that mitigates the Province’s financial and operational risk.

2. OPG’s key nuclear objective will be the reduction of the risk exposure to the Province arising from its investment in nuclear generating stations in general and, in particular, the refurbishment of older units. OPG will continue to operate with a high degree of vigilance with respect to nuclear safety.

3. OPG will seek continuous improvement in its nuclear generation business and internal services. OPG will benchmark its performance in these areas against CANDU nuclear plants worldwide as well as against the top quartile of private and publicly-owned nuclear electricity generators in North America. OPG’s top operational priority will be to improve the operation of its existing nuclear fleet.

4. With respect to investment in new generation capacity, OPG’s priority will be hydro-electric generation capacity. OPG will seek to expand, develop and/or improve its hydro-electric generation capacity. This will include expansion and redevelopment on its existing sites as well as the pursuit of new projects where feasible. These investments will be taken by OPG through partnerships or on its own, as appropriate.
5. OPG will not pursue investment in non-hydro-electric renewable generation projects unless specifically directed to do so by the Shareholder.

6. OPG will continue to operate its fossil fleet, including coal plants, according to normal commercial principles taking into account the Government’s coal replacement policy and recognizing the role that fossil plants play in the Ontario electricity market, until government regulation and/or unanimous shareholder declarations require the closure of coal stations.

7. OPG will operate in Ontario in accordance with the highest corporate standards, including but not limited to the areas of corporate governance, social responsibility and corporate citizenship.

8. OPG will operate in Ontario in accordance with the highest corporate standards for environmental stewardship taking into account the Government’s coal replacement policy.

B Governance Framework

The governance relationship between OPG and the Shareholder is anchored on the following:

1. OPG will maintain a high level of accountability and transparency:
   - OPG is an Ontario Business Corporations Act (“OBCA”) company and is subject to all of the governance requirements associated with the OBCA.
   - OPG is also subject to the Freedom of Information and Protection of Privacy Act, the Public Sector Salary Disclosure Act and the Auditor General Act.
   - OPG’s regulated assets will be subject to public review and assessment by the Ontario Energy Board.
   - OPG will annually appear before a committee of the Legislature which will review OPG’s financial and operational performance.

2. The Shareholder may at times direct OPG to undertake special initiatives. Such directives will be communicated as written declarations by way of a Unanimous Shareholder Agreement or Declaration in accordance with Section 108 of the OBCA, and be made public within a reasonable timeframe.

C. Generation Performance and Investment Plans

1. OPG will annually establish 3–5 year performance targets based on operating and financial results as well as major project execution. Key measures are to be agreed upon with the Shareholder and the Minister of
Finance. These performance targets will be benchmarked against the performance of the top quartile of electricity generating companies in North America.

2. Benchmarking will need to take account of key specific operational and technology factors including the operation of CANDU reactors worldwide, the role that OPG's coal plants play in the Ontario electricity market with respect to load following, and the Government of Ontario's coal replacement policy.

3. OPG will annually prepare a 3 – 5 year investment plan for new projects.

4. Once approved by OPG's Board of Directors, OPG's annual performance targets and investment plan will be submitted to the Shareholder and the Minister of Finance for concurrence.

D. Financial Framework

1. As an OBCA corporation with a commercial mandate, OPG will operate on a financially sustainable basis and maintain the value of its assets for its shareholder, the Province of Ontario.

2. As a transition to a sustainable financial model, any significant new generation project approved by the OPG Board of Directors and agreed to by the Shareholder may receive financial support from the Province of Ontario, if and as appropriate.

E. Communication and Reporting

1. OPG and the Shareholder will ensure timely reports and information on major developments and issues that may materially impact the business of OPG or the interests of the Shareholder. Such reporting from OPG should be on an immediate or, at minimum, an expedited basis where an urgent material human safety or system reliability matter arises.

2. OPG will ensure the Minister of Finance receives timely reports and information on multi-year and annual plans and major developments that may have a material impact on the financial performance of OPG or the Shareholder.

3. The OPG Board of Directors and the Minister of Energy will meet on a quarterly basis to enhance mutual understanding of interrelated strategic matters.
4. OPG's Chair, President and Chief Executive Officer and the Minister of Energy will meet on a regular basis, approximately nine times per year.

5. OPG's Chair, President and Chief Executive Officer and the Minister of Finance will meet on an as needed basis.

6. OPG's senior management and senior officials of the Ministry of Energy and the Ministry of Finance will meet on a regular and as needed basis to discuss ongoing issues and clarify expectations or to address emergent issues.

7. OPG will provide officials in the Ministry of Energy and the Ministry of Finance with multi-year and annual business planning information, quarterly and monthly financial reports and briefings on OPG's operational and financial performance against plan.

8. In all other respects, OPG will communicate with government ministries and agencies in a manner typical for an Ontario corporation of its size and scope.

F. Review of this Agreement

This agreement will be reviewed and updated as required.

Dated: the 17th day of August, 2005

On Behalf of OPG:  On Behalf of the Shareholder:

Jake Epp  Her Majesty the Queen in Right of the Province of Ontario as represented by the Minister of Energy, Dwight Duncan
Chairman  Board of Directors