

Tom Mitchell

**President and CEO
Ontario Power Generation**

**to the
Canadian Manufacturers and Exporters**

**November 7, 2013
Mississauga, Ontario**

Subject to change upon delivery

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NOTES FOR REMARKS

Good afternoon. Thank you for inviting me as your luncheon keynote speaker.

I read somewhere that the “key” to a good keynote speech is timing.

I think that means I need to stop talking before you start yawning...or throwing food at me.

I’ll get right to the point then.

The past few years have not been easy for Canadian and Ontario manufacturers.

I’ve met personally with some of you and heard your concerns – especially about electricity.

You’re concerned about price and productivity

...concerned about reliability, and

...concerned about infrastructure quality.

Many of you are also concerned about the system’s ability to create supply chain opportunities through generation projects.

These are valid concerns.

But by the time I’m done, I hope to show that they can be addressed -- at least in part – by what we’re doing at OPG.....

I say that because, like many of you, OPG has experienced some major challenges.

And also like many of you -- we’ve used these challenges to our advantage – to transform ourselves into a better, stronger and more efficient company.

A leaner company....A more agile and adaptable company....

A company that I believe serves you – and all Ontarians -- better.

This is what a public power company should do. And what I believe OPG does.

But it wasn't easy.

Over the past 14 years, we had to learn to adapt and change in fundamental ways...and face some painful realities.

When we were created in 1999, we were directed by our shareholder to divest a significant portion of our assets to facilitate competition.

This included Bruce Nuclear – the largest nuclear energy generating complex in the world.

It also included four valuable hydroelectric stations on the Mississagi River System.

Then a few years later -- to help improve air quality -- we were directed to stop burning coal at all our thermal stations by 2014.

We're doing this...and have done this...at considerable sacrifice, especially for our thermal employees.

Altogether OPG has divested – by decontrolling or shutting down assets – **about 15,000 MW** of its generation capacity. That's **almost half (48 per cent)** of our original portfolio.

In 1999, we had nearly 31,000 MW. At the end of 2012, we had just above 19,000 MW. By the start of next year, it will be about 16,000 MW.

And that's just our capacity.

On the production side, our electricity output in 2001 was 140.2 TWh.

In 2012 it was 83.7 TWh.

We've seen our market share go in 1999 from 88 per cent of the electricity consumed in the province...to less than 60 per cent today.

Mind you, I'm not complaining.

Times change, and we were called upon to change.

We adapted. We responded. And we survived.

We addressed other challenges too.

We improved performance – including our nuclear performance. We reduced maintenance backlogs. Improved outage performance...and strengthened our safety culture.

Today, our Darlington nuclear station is recognized as one of the best performing stations in the world; and our 40 year old Pickering station had its best reliability performance ever in 2012.

We improved our project management as well – especially on the nuclear side. We did so by successfully completing two massive vacuum building outages at Pickering and Darlington. And we followed these up by safely storing two Pickering reactors – under budget and ahead of schedule....another massive project.

In completing these initiatives, we built extensive expertise in project planning, logistics and execution. And this is serving us in good stead as we prepare for our biggest project to date – the refurbishment of our Darlington nuclear station.

We were also asked by our shareholder to help expand Ontario’s hydroelectric supply.

In response, we launched a massive hydro expansion campaign.

- We constructed or redeveloped stations at Lac Seul and the Upper Mattagami.
- We built a 10.2 kilometer Tunnel under Niagara Falls that is now delivering tonnes of additional water to produce more electricity at our Beck stations in Niagara Falls.
- And we’re undertaking a huge \$2.6 billion project on the Lower Mattagami near Kapuskasing.

In the process, we developed an innovative approach to dealing with First Nations and Métis peoples that has become a model for doing business in northern Ontario. We make them commercial partners with us. We employ their community members, and we are helping to build skills capacity in the region.

We also developed a unique financing approach for Lower Mattagami that will save us \$300 million over the course of the project compared to traditional forms of project financing.

Most importantly, we have in recent years made a major commitment to become a more efficient, agile and cost effective company.

We launched a company-wide business transformation and reinvented ourselves into a new kind of organization...innovative, proactive and alert to opportunity.

We’re eliminating duplication.

We’re simplifying processes.

We tasked every department in the company to find efficiencies and cost savings.

We’ve reduced our base salary costs for management by nine per cent compared to 2010.

And we’ve reduced our total headcount through attrition by almost 1500 and plan further reductions going forward.

To date, the current estimated cost savings from this headcount reduction is \$275 million.

We have achieved a lot, but we recognize the job is not yet done

As I said, many other companies have gone through what we've gone through.

Many are in this room.

You've cut costs, introduced efficiencies and enhanced production.

Like us, you've also dealt with external events like:

- the recession of 2009,
- increased competition, and
- even the great blackout of 2003 -- when Ontario manufacturers like you helped end the crisis by dramatically cutting back on energy use.

OPG doesn't want a medal for coping with change – or for doing what many of you have also had to do.

But even though none of this may be that new to you, I want to emphasize that what we're doing should matter to you -- and to all Ontarians.

Our generation portfolio matters -- because even though it's smaller than it used to be, it's cleaner and continues to be diverse.

Nearly 95 percent of our generation is now produced by nuclear and hydro sources, which generate virtually no emissions contributing to smog or climate change. That percentage will be even higher when we stop burning coal at the end of 2014.

Our improved operational performance matters – because it translates into more reliable electricity for you...day-in, day-out...when you need it.

Our business transformation efforts matter – because the improved efficiency and cost savings we're getting enables us to moderate the price you pay for electricity... and sustains us as Ontario's low cost generator.

Right now, the price OPG receives for its electricity is 45 per cent lower than what other generators receive. This helps keep power prices down and helps you stay competitive.

If every Ontario generator were paid the same price as OPG was for its electricity in the first half of 2013, the generation portion of rate-payer bills would be about 30 per cent lower.

That's important, and that matters.

Our improved project management also matters -- because that's going to earn us confidence from our stakeholders. Which in turn increases the chances of approval for our pending projects and new projects.

These are projects which you can participate in as suppliers and contractors....

...and as partners.

...Because we can't do it all by ourselves.

These projects include:

- the multi-billion dollar, multi-year Darlington nuclear refurbishment project;
- our \$200 million-\$300 million initiative to ensure the Pickering nuclear station continues to operate until 2020;
- additional hydroelectric projects in northern Ontario;
- conversion of our Atikokan station to burn biomass fuel;
- possible conversion of some of our thermal units to burn natural gas or biomass;
- energy storage options; and
- potential renewable energy projects – made possible by the government's recent decision to allow us to bid on these projects.

OPG is also looking beyond our walls for new opportunities.

We are leveraging our project management and operational expertise through a new subsidiary called Canadian Nuclear Partners.

CNP is opening up new opportunities for us with other energy companies worldwide that can benefit from our experience. These are opportunities which Canadian manufacturers and exporters can share in as well.

In addition, OPG must constantly maintain and operate our existing assets. This includes our 65 hydroelectric stations, over 230 dams, 10 operating reactors, three nuclear waste management facilities, our remaining thermal plants, and office facilities across Ontario. This too is an opportunity for Ontario and Canadian manufacturers.

Each year, OPG spends over \$ 2 billion on goods and services. Of that, 95 per cent -- \$1.9 billion – goes to Ontario vendors and contractors. And we draw on the services of **thousands** of Ontario vendors and contractors....

So what we do **does** matter.

It matters to Ontario.

It matters to the ratepayer.

And it matters to you.

I know how important electricity is to the members of this organization.

I have read your *Manufacturing Action Plan for Ontario*.

And I have personally met with many of you.

OPG is working hard to deliver value to Ontario.

We are committed to being an efficient and low-cost generator...to help you be competitive

We're achieving operational excellence – to ensure the province has reliable power...

We're managing our projects on time and on budget --- so that down the road Ontario business has the energy it needs for future growth...

And we're becoming more agile and entrepreneurial, so that you can share in the opportunities we create.

Above all, we're focussed on being successful – because ultimately our success contributes to your success.

Ontario needs an OPG – clean, diversified, low-cost, independently-regulated, committed to Ontario and above all public.

We play an important role.

We work for Ontario.

We work for you.

Thank you.