Ministry of Energy, Northern Development and Mines

Office of the Minister

77 Grenville Street, 10th Floor
Toronto ON M7A 2C1
Tel.: 416-327-6758

Ministère de l'Énergie, du Développement du Nord et des Mines

Bureau du ministre

77, rue Grenville, 10e étage
Toronto ON M7A 2C1
Tél. : 416-327-6758

Ontario

July 8, 2021

Ms. Wendy Kei
Board Chair
Ontario Power Generation
wendy.kei@opg.com

Dear Ms. ~~Kei.~~ Wendy,

I am writing to provide my concurrence of Ontario Power Generation's (OPG) 2020 – 2026 Business Plan and to outline my expectations for OPG's next business plan.

I would like to thank OPG for its leadership as Ontario has confronted the challenge of COVID-19. I am grateful for OPG's role in the electricity sector's response, including donations of vital personal protective equipment (PPE) and supports to communities and organizations in need. I would also like to recognize OPG and its employees for their efforts in ensuring the continued reliability of our electricity supply during the pandemic.

I commend OPG on its financial forecasts for 2021 – 2026. I am pleased to see continued net income growth as this positively supports the Province's fiscal plan. I appreciate that OPG is continuing to seek operating synergies and other organizational efficiencies that will reduce costs across OPG.

I am pleased to see that OPG remains on schedule and on budget with its execution of the Darlington Refurbishment Project. The successful execution of Darlington refurbishment remains a key priority for our Government. I appreciate OPG's ongoing updates to the Ministry on the progress on Unit 3 refurbishment as well as planning for refurbishment of Unit 1 and Unit 4.

Regarding the Pickering Nuclear Station, it is critical that OPG focuses on effectively managing the eventual end of the station's commercial operations, including minimizing downsizing costs and ensuring an orderly transition of its workforce. Please continue reporting to my ministry on the Pickering downsizing process and measures taken to minimize costs. I am looking forward to hearing what opportunities may exist for affected staff, both in OPG and other sectors.

As you know, Ontario is leading the way on the development of Small Modular Reactors (SMRs). I appreciate OPG's efforts to advance this innovative technology and support Ontario's commitments under the interprovincial Memorandum of Understanding (MOU)

to collaborate on SMRs with Saskatchewan, New Brunswick and Alberta. Please continue your planning and preparation work for the development of a potential on-grid SMR at the Darlington site including completion of the SMR technology selection process, as well as the licensing process for the Global First Power micro-SMR project at Chalk River. These exciting projects provide an opportunity for OPG and for our Government to demonstrate that SMRs could be a clean electricity option while supporting economic growth and innovation.

I commend OPG on the release of its Climate Change Plan and support for our Governments efforts to transition to a low-carbon, clean-growth economy. This includes your efforts to assist in electrifying the transportation sector through the expansion of electric vehicle charging infrastructure, as well as the development of energy storage capability in Ontario, including hydrogen technologies. I understand these opportunities are expected to play an important role in supporting the growth of OPG's non-electricity generation revenues. I am also looking forward to seeing other ways in which OPG can reduce its carbon footprint and support the development of additional clean energy supply options to support the broader electrification of our economy.

Since 2018, OPG has completed major acquisitions including assets in the Eagle Creek Renewable Energy subsidiary and the Atura Power subsidiary. I am expecting that OPG will ensure the assets continue to be appropriately integrated to realize operational, financial and strategic benefits to OPG that align with the drivers of each transaction. [redacted]

I appreciate that OPG is mindful of supporting Ontario's economy and local businesses given OPG's large procurement spend, especially during COVID-19. I expect that OPG will follow the guidance provided by Treasury Board Secretariat (TBS) and apply lessons learned from other provincial entities.

[redacted] I also note that OPG's financial results are expected to benefit as Darlington nuclear units are brought back into service from refurbishment. [redacted]

I note that OPG's current $800 million Ontario Electricity Financial Corporation (OEFC) credit facility expires on December 31, 2021 and that OPG is requesting a new credit

facility of $750 million. This concurrence letter provides my policy support for a new OEFC credit facility for a total up to $750 million to be available for draws from 2021 – 2026.

Government Expectations for OPG's Next Business Plan

I expect OPG will submit its next business plan prior to the end of 2021, subject to receiving the outcome of its current 2022 – 2026 rate application with the Ontario Energy Board.

OPG should continue to act in the best interests of Ontarians by being efficient, effective and providing value for money to ratepayers. I expect OPG to demonstrate how it meets the following priorities of our Government:

a) Competitiveness, Growth Opportunities and Expenditure Management
   i. Identifying and pursuing opportunities for revenue generation and innovative practices;
   ii. Exploring and expanding OPG's current non-electricity generation lines of business, including in electrification, energy storage and medical isotope production;
   iii. Identifying and pursuing opportunities for efficiencies and savings;
   iv. Outlining an effective process for the identification, assessment and mitigation of risks, including planning for and responding to health and other emergency situations, including but not limited to COVID-19; and
   v. Improving how OPG uses data in decision-making, information-sharing and reporting, including by leveraging available or new data solutions to inform outcome-based reporting and improve service delivery.

b) Darlington Refurbishment Project and Pickering Shutdown
   i. Continuing the management of Darlington Refurbishment Project on budget and on schedule;
   ii. Incorporating lessons learned and best practices from Darlington nuclear Unit 2 to optimize refurbishment of later units;
   iii. Optimizing the Pickering shutdown sequence and pursuing opportunities to reduce Pickering downsizing costs;
   iv. Achieving business planning targets in-line with the identified post-Pickering cost structure; and
   v. Reporting to the Ministry of Energy on the impacts on retraining and transition plans regarding affected employees.

c) SMR Technology Advancement

i. Continuing to support Ontario's commitments under the interprovincial SMR MOU to advance SMR development and deployment, including the proposed Darlington on-grid SMR project, proposed Global First Power micro-SMR project and potential opportunities to support SMR development in other provinces.

d) Transparency and Accountability

i. [redacted]

ii. Abiding by applicable Government Directives and Policies, ensuring transparency and accountability in reporting, and adhering to the requirements of the Memorandum of Agreement (MOA) between the Ministry of Energy and OPG;

iii. Identifying appropriate skills, knowledge and experience needed to effectively support the OPG Board of Directors' (Board) role in OPG's governance and accountability; and

iv. Continuing to build on OPG's commitment to equity, diversity and fostering a culture of inclusion in the workplace.

This letter constitutes my concurrence with OPG's Board-approved 2020 – 2026 Business Plan as provided under the current MOA between OPG and the Shareholder dated July 17, 2015.

Thank you for the comprehensive Business Plan and for the good work of OPG and its staff. Please accept my best wishes.

Sincerely,

Todd Smith
Minister

c:
Ken Hartwick, Chief Executive Officer, Ontario Power Generation
Stephen Rhodes, Deputy Minister, Ministry of Energy, Northern Development and Mines
Steen Hume, Assistant Deputy Minister, Ministry of Energy, Northern Development and Mines