Ministry of Energy
Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754

Ministry of Finance
Office of the Minister

7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Tel: 416-325-0400
Fax: 416-327-0374

Ontario

Mr. Bernard Lord
Chair
Ontario Power Generation
1900-700 University Avenue
Toronto ON M5G 1X6

Dear Mr. Lord,

Thank you for your submission of Ontario Power Generation's (OPG) 2016-2018 Business Plan ("the Plan"). I have reviewed the Plan and find it to be consistent with our government's expectations, with the exception of OPG's executive compensation framework as embedded in the Business Plan.

I support the operational and financial targets set by OPG in its business plan. I expect OPG to work closely with the Ministry of Energy to continue its commitment to deliver the efficiencies and cost savings as per the 2016 to 2018 Business Plan in a manner that is consistent with the continued safe and environmentally responsible operation of OPG's facilities. As the Darlington Refurbishment Project is a key priority for the government, I expect that OPG will continue to focus on delivering the project as per the schedule and budget contained in the Release Quality Estimate approved by the OPG Board and by the government. I also expect OPG to continue to minimize project risks consistent with the nuclear refurbishment principles set out in the 2013 Long-Term Energy.

Commented [11]: As written, the original language would lay a trap for OPG at the OEB by implying that the cost reductions planned and committed to in the Business Plan are not enough. OPG will continue to look for further efficiencies as part of IRM,

I expect OPG to continue to keep the government informed with regard to the company's key ongoing and emerging initiatives and progress in achieving its financial and operational performance commitments. I recognize the important role that OPG has and will continue to play in delivering value to the Province and electricity ratepayers.

In addition, in order to support our climate change initiatives, the decommissioning of Lambton GS should proceed immediately.

I recognize OPG's achievement to-date with overall headcount reductions, and OPG's efforts to align its pensions with those in the Public Service and we expect OPG to continue negotiation on this issue in future rounds of collective bargaining. OPG's accrual accounting methods for recovery of Pension and Other Post-Employment Benefits costs are a fair and reasonable given the long-term nature of these costs.

In regards to the OPG's executive compensation, I expect OPG to work within the Treasury Board Secretariat (TBS) Executive Compensation Framework Regulation that came into force on September 6, 2016 which caps salary and performance-related payments for executives at no

…/cont'd

more than the 50th percentile of appropriate comparators. I understand OPG is revisiting the current proposal as embedded in the 2016-2018 Business Plan and encourage you to continue your work with the Ministry of Energy and the TBS to develop the framework that meets the requirements outlined in the regulation.

This letter constitutes my concurrence with OPG's Board approved 2016-2018 Business Plan, with the exception of OPG's executive compensation as noted above, and as provided for under the Memorandum of Agreement between OPG and the Shareholder dated July 17, 2015.

Sincerely,

Glenn Thibault
Minister of Energy

c: Jeff Lyash, President and Chief Executive Officer, OPG Inc.
Serge Imbrogno, Deputy Minister, Ministry of Energy