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) 2017-2019 Business Plan ("the Plan"). We have reviewed the Plan and find it to be consistent with our government's expectations.

I support the operational and financial targets set by OPG in its business plan. We recognize the substantial cost reductions that OPG has recently achieved and expect OPG to work closely with the Province to fully realize the additional efficiencies incorporated in the Plan in a manner that is consistent with the continued safe and environmentally responsible operation of OPG's facilities.

We commend OPG on its successful start to the Darlington Refurbishment Project, a key objective of Ontario's 2013 Long-Term Energy Plan (2013 LTEP). As a priority project 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 LTEP, and seek concurrence prior to commencing subsequent unit refurbishments after Unit 2 is successfully returned to service.

We continue to support the planned operation of Pickering units up to 2022/2024, subject to OPG obtaining necessary regulatory approvals, as the station's output will provide reliable, cost-effective and emission-free electricity supply during the Darlington and initial Bruce refurbishments. I expect OPG to keep the Ministry apprised throughout the regulatory processes and as we proceed to update the Long-Term Energy Plan. .

Commented [11]: OPG is aware of the Ministry's commitment to return to Cabinet on Pickering. Given that this concurrence letter will be entered as evidence in the OPG as endorsement of the expenditures in this 2017-2019 Business Plan we respectfully request that this statement not be included as it could be interpreted to support intervenor challenges that OPG should not be permitted to recover the cost of inspections etc. that are required to support the licensing application to run Pickering to 2024/28. We respectfully suggest the alternate wording to this paragraph .

I understand that the recently approved Ontario Nuclear Funds Agreement (ONFA) Reference Plan has resulted in a reduction of costs to consumers for future decommissioning and long-term management of waste from Ontario's nuclear plants. In addition, the segregated nuclear funds set aside under ONFA have reached fully funded status. With many decades of nuclear generation in the Province's future, the decision to fund these costs now provides security for future generations of Ontarians. I recognize that the ONFA is based on OPG's proposed siting of a Deep Geological Repository (DGR) for low and intermediate level waste. OPG's DGR is a key component of Ontario's plans to ensure that nuclear remains the backbone of our electricity system for years to comen.

Commented [NA(2]: Prefer to use this statement taken directly from Minister's letter to Minister McKenna.

I appreciate the efforts of OPG staff, management and the Board of Directors to date as we worked to develop a plan to refinance the Global Adjustment (GA). Refinancing the GA would provide significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. OPG will be instrumental to the success of this initiative and we plan to introduce legislation that would, if passed, enable OPG to work with the Independent Electricity System Operator (IESO) to implement this plan. I also expect to make the necessary changes to OPG's articles of amalgamation to provide the financing flexibility to implement the refinancing of the GA to meet the Province's price objectives announced on March 2, 2017.

Commented [13]: Sincethe Ministry is adding this paragraph on GA refinancing, OPG requests this paragraph include this reference to the change in articles, in addition to the legislative changes. Both are important considerations for the OPG Board.

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. As OPG's performance directly impacts Ontario's fiscal plan, we note the importance of achieving or exceeding OPG's financial performance commitments

Consistent with Section 7 of the Memorandum of Agreement, in advance of commencing discussions for the renewal of its collective agreements with its unions, I expect that OPG shall seek advice from the Ministry on Provincial policy direction and relevant fiscal considerations affecting labour negotiations.

Commented [14]: We strongly suggest using this language, which is a direct lift from our MOA, rather than language that requests a written report. Since this letter will be entered into evidence at the OEB any reference to a future report will result in an intervenor undertaking request or FOI request.

This letter constitutes our concurrence with OPG's Board approved 2017-2019 Business Plan as provided for under the Memorandum of Agreement between OPG and the Shareholder dated July 17, 2015.

This letter also confirms the approval of special status for OPG to approve international travel, under Section 5.3 of the Management Board of Cabinet's Travel, Meal and Hospitality Expenses Directive. OPG shall submit semi-annual reports on international travel to the Ministry of Energy, as described in the submission received from OPG's President and CEO, dated January 24, 2017.

Commented [15]: As discussed, this is a significant issue for OPG. Assuming TBd agreement we will need the delegation conveyed in writing.

Sincerely,

Glenn Thibeault
Minister of Energy

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