



COMMERCIAL CONFIDENTIAL

Michael W. Rencheck
President & Chief Executive Officer

August 1, 2017

Peter Gregg
President and CEO
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

Serge Imbrogno
Deputy Minister
Ministry of Energy
Hearst Block 4th Floor, 900 Bay St
Toronto, ON M7A 2E1

Dear Mr. Gregg and Mr. Imbrogno,

Now that we have passed the halfway point of 2017, Bruce Power is 18 months into our long-term Life-Extension Program. I am pleased to confirm we remain on track, delivering on our commitments, producing life-saving medical isotopes and providing carbon-free, low-cost electricity to Ontario families and businesses.

Bruce Power has, and will continue to be, a leading supplier of low-cost energy across Ontario, providing 30 per cent of its electricity at 30 per cent below the average cost to produce residential power. To date in 2017, Bruce Power was paid 6.6 cents per kilowatt-hour, while the average cost paid to produce residential electricity was between 11 to 12 cents per kilowatt-hour.

While generating carbon-free, low-cost electricity, our Life-Extension Program remains on time and on budget. The Life-Extension Program includes a portfolio of capital expenditures in our outage programs, sustaining investments across the facility, asset management and other activities, to prepare for our Major Component Replacement program starting in 2020. Our approach to life extension will continue to enhance operational performance today, while positioning us for long-term operation until 2064.

As you know, our arrangement with the IESO has established a provision for operational upside sharing. This is an innovative approach that will drive Bruce Power to find ways to continue to lower our cost of operation through enhanced output, efficiencies, streamlining and higher productivity. We are performing very well and accruing amounts, as prescribed in our agreement.



We will be announcing in early 2019 the amount of the sharing/contribution to be provided. As we have discussed, the benefit that is accruing will be a significant sum that will benefit ratepayers. In my January 2017 letter to you, I was able to indicate the accrual we made to close off the 2016 fiscal year and I look forward to providing another formal update in early 2018 related to our 2017 fiscal year.

When you look at the most commercially successful nuclear facilities in the world and large projects that successfully executed, they have one thing in common — strong safety performance. Safety and commercial success go hand-in-hand. This year we launched a new strategy called “You Can Count on Me”, which will simplify our job safety analysis and positively reinforce leadership and employee involvement across our site in our pillars of safety.

The goal is a personal commitment to perform consistently from every member of our team — every step, every time, every day. It’s this long-term commitment to a culture of safety that drives us to our goals of operational and project excellence.

As a key pillar in the region we operate in, community engagement remains an important focus, as well our entire region is part of, and counting on, our success. That’s why our work on economic development with the regional governments in Bruce, Grey and Huron counties continues. Our economic development initiative was launched in September 2016 and has gained considerable traction in the first half of 2017. Suppliers are locating to the area, bringing jobs and other benefits that will improve the regional economy, while creating a stronger connection with our vendors in our day-to-day engagement on project and operational excellence.

We have closely watched the progress Ontario has made implementing cap and trade. As an emissions-free generator of electricity, ratepayers will benefit from our clean supply of power under this new program. In fact, according to a report released by the Asthma Society of Canada, our emissions-free power will help Ontarians avoid between \$12 billion and \$63 billion in carbon costs, when compared to alternatives that ratepayers would pay if the output was replaced by fossil fuels.

With our long-term outlook we are also continuing to innovate in the area of isotope production, supporting Ontario’s global leadership position in this area. We are one of the few nuclear facilities globally that has the ability to produce High Specific Activity (HSA) cobalt-60, which is used in treating cancer and other diseases in Canada and around the world. Bruce Power was recognized by the Nuclear Energy Institute for our cobalt-60 work with a Top Innovation Practice award in May — the first time a Canadian company has ever received this recognition.

We currently have HSA cobalt-60 being produced in two of our four Bruce B units, with the other two units commencing production in Q4, 2017 and Q4, 2018 respectively. We will start to harvest the cobalt-60 in 2019 for global export via Nordion.

Isotope production has also been included in our on-going collaboration efforts with OPG. In addition to sharing lessons learned and operating experience, with the goal of driving ratepayer benefits and efficiencies throughout the refurbishment period, Bruce Power, OPG and Nordion have



established a joint collaboration team. When Pickering reaches its end-of-life, new streams of Low Specific Activity (LSA) cobalt will be needed, in order to meet global demand. Our team is working to share best practices and find ways to meet the demand for this important export commodity. Our LSA cobalt is used to sterilize 40 per cent of packaged surgical equipment worldwide.

Cobalt production is another reason why we strongly support the continued operation of Pickering until 2024; replacing the supply of cobalt-60 from Pickering will take years to develop and we don't want to leave the international market short of such an essential isotope. It's our hope that the continued operation of Pickering until 2024 will remain a key element in the release of the upcoming LTEP, in addition to the refurbishment of Darlington. They each play a critical role in our province, alongside the long-term contract the Government of Ontario has with Bruce Power for our eight-unit operation.

I look forward to meeting with both of you in the near future to discuss the progress we are making on our file.

Best Regards,

A handwritten signature in black ink that reads "Michael W. Rencheck". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael W. Rencheck
President and CEO
Bruce Power