

Ministry of Energy

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APR 18 2018

MC-2018-423

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

Dear Mr. Lord: *Bernard,*

Thank you for submitting Ontario Power Generation's (OPG) 2018-21 Business Plan. I reviewed the plan and find it to be consistent with the government's expectations.

I support the operational and financial targets set by OPG in its business plan. I was pleased by the plan's efficiency measures that result in higher electricity production and lower operating, maintenance and administration costs than previous plans. I expect OPG to keep the Province updated on the outcomes of these efficiency initiatives and their impact on the business plan's targets.

The financial and operating targets in the 2018-21 Business Plan are contingent on the continued operation of the Pickering Generating Station beyond 2020. I continue to support OPG's plans to keep operating Pickering Nuclear Generating Station up to 2024, pending regulatory approvals from the Canadian Nuclear Safety Commission. This will ensure Ontario has a reliable source of emission-free baseload electricity to replace the power that will not be available during the Darlington and initial Bruce refurbishments.

I commend OPG for its success to date on the Unit 2 refurbishment at Darlington, keeping the project on time and on budget. Following the government's February 2018 commitment to proceed with Unit 3 refurbishment, I expect that OPG will continue to deliver the project in a safe and efficient manner.

As the business plan notes, the eventual shutdown of Pickering in 2024 will require changes to ensure OPG is financially and operationally strong, and positioned for future growth opportunities. I am pleased that OPG is planning for these changes through its OPG25 Initiative. I expect OPG's future business plans will provide updates on OPG25, including the specific targets and outcomes included in the initiative.

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I encourage OPG to continue to explore new business opportunities, including developments and acquisitions of projects. I expect OPG to keep the Province informed of its business development projects and to seek Shareholder concurrence on the material initiatives it plans to undertake.

The recent decision by the Ontario Energy Board (OEB) on OPG's 2017-21 Payments Application indicated that OPG's compensation and corporate support costs do not benchmark favourably to its comparators.

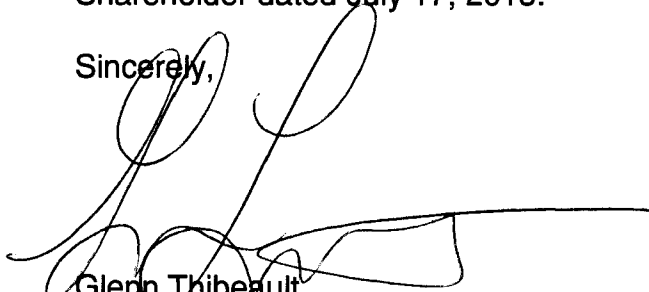
I support OPG's efforts during the collective bargaining processes to contain costs associated with compensation, benefits and pensions, including progress toward 50/50 employer/employee contributions. I also support OPG's use of term employees with a view of mitigating downsizing costs resulting from retirement of Pickering Nuclear Generating Station.

Also in regard to compensation, I note that OPG's executive compensation framework includes short-term incentives based in part on targets set annually in the company's Corporate Scorecard. I expect OPG to evaluate these targets on an ongoing basis to ensure they are ambitious and provide value to the Shareholder and ratepayer.

Lastly, I appreciate the efforts of OPG in its role as Financial Services Manager under the *Fair Hydro Act, 2017*, including developing the Financing Plan and establishing the Fair Hydro Trust. OPG's successful inaugural issuance of secured debt in February 2018 is a positive sign that the plan is working.

This letter constitutes my concurrence with OPG's Board-approved 2018-21 Business Plan as provided for under the Memorandum of Agreement between OPG and the Shareholder dated July 17, 2015.

Sincerely,



Glenn Thibeault
Minister

c: Jeff Lyash, President and Chief Executive Officer, Ontario Power Generation
Serge Imbrogno, Deputy Minister of Energy