OPENING REMARKS FOR JEFF LYASH
FAIR HYDRO ACT PUBLIC CONSULTATION
Check Against Delivery

Good afternoon, my name is Jeff Lyash, President and CEO of Ontario Power Generation. I'm joined by Carlo Crozzoli, SVP Corporate Business Development.

At the request of the Minister of Energy, OPG evaluated the role that we might play in effectively executing on the *Fair Hydro Act*, if passed. We're here to outline that potential role. First, let me tell you a bit about OPG that will help to illustrate why we were asked to engage:

- We're Ontario's largest clean energy generator, providing about half the electricity used each day by Ontario home and businesses.
- The electricity we produce is 99 per cent free of smog and greenhouse gas causing emissions.
- We produce power at a cost that's 40 per cent less than other generators, so our lower rates help moderate customer price.

We also have an important role in ensuring that the province has a reliable supply of clean and affordable power for the future. For example:

- OPG recently completed the Peter Sutherland Generating Station project ahead of schedule and on budget. Our partners, the Taykwa Tagamou Nation, have an equity position in the facility that will provide them with an earnings stream for generations.
- We're refurbishing the Darlington Nuclear Station, which supplies about 20 per cent of the power used in Ontario. We removed Unit 2 from service last October, recently completed the first of four segments, and I am pleased to say that presently we are on schedule and on budget.
- We are also executing the work needed to ensure the safe and reliable operation of the Pickering station until 2024. This will maintain a cost-effective supply of energy during the refurbishments of the Darlington and Bruce nuclear plants, will reduce greenhouse gas emissions and will save consumers money.

As one of the most experienced and largest generating companies in Canada, OPG has a broad set of relationships and capabilities that make it a valuable resource to the Province of Ontario as it wrestles with the challenge of building a clean, reliable and cost-effective electricity system that meets the needs of the next generation:

- We understand the system and the forces that will shape change over the next several decades.
- We have strong relationships with vital industry participants such as the OEB, IESO, credit rating agencies and the capital markets.
- We have experience managing large investment portfolios -- with over $30 billion under management, and with financing large capital projects.

It's with this role as Ontario's low-cost energy provider in mind that I would like to explain OPG's part in the proposed *Fair Hydro Act*.

The Act, if passed, appoints OPG as the Financial Services Manager. Our objectives in structuring this approach are to:

- Establish and maintain broad access to the capital markets;
- Optimize financing costs over the long-term and;
- Maintain a sustainable and transparent execution model.

If the legislation is passed OPG would:

- Create a Financing Entity which will be ring-fenced from our regular operations. The Financing Entity would finance costs related to the Fair Hydro Adjustment and spread their recovery over a period of time through 2047.
- Under the proposed Act, the OEB, with input from OPG as the Financial Service Manager, would set the Regulated Price Plan – the price paid by most customers - to meet the requirements of the *Fair Hydro Act*.
- Each month the IESO would calculate the difference between collections from ratepayers and what is dispersed under contracted and regulated obligations. The IESO would create a regulatory asset equivalent to the deferred costs, and offer this for sale to the Financing Entity as an investment asset.
- If the Act is passed, the Financing Entity established by OPG would purchase these investment assets from the IESO using a short-term debt instrument, warehousing the debt until the balance is large enough to take to the market.
- Three to five times a year the Financing Entity would enter the capital markets to secure longer-term financing.

In executing our responsibilities as the Financial Services Manager, working with the Province, OPG will maintain clarity and transparency related to the Financing Entity:

- The Province will establish the value of the Clean Energy Investment, the appropriate period over which to recover these costs, and the shape of the Fair Hydro Adjustment.
- The OEB will provide oversight of the costs associated with OPG's role as Financial Service Manager.
- OPG will ensure the deferred principal and accumulated interest remain consistent with the underlying asset basis, and that the impact on customer bills is part of the financing credit risk assessment.
- OPG would maintain transparency, reporting on performance in our quarterly financial results, and each year in our audited financial results.
- In addition, detailed contemporary information would be included in the prospectus issued each time we go to the financial markets to secure long-term debt.

- The need to maintain the ability to consistently access capital markets at reasonable rates will enforce transparency and discipline in the process. The Financing Entity retains the right not to buy the investment assets offered, if the requisite financing conditions are not maintained.

When asked by the Minister of Energy to consider OPG's potential role in implementation of the *Fair Hydro Act,* we worked collaboratively with the Ministry of Energy, Ministry of Finance, Ontario Energy Board, the IESO and independent financial and legal advisors to develop this proposed framework.

If the legislation is passed, OPG believes there are adequate checks and balances in place to ensure that the program is well-managed and that risk is minimized.

I hope this provides you insight into OPG's role in the proposed legislation.

We'd be happy to answer any questions you might have.

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