

## OVERVIEW OF OPG

### 1.0 PURPOSE

This evidence provides an overview of OPG, including a summary of its mandate, objectives, key assets, corporate governance and organization. OPG's regulated hydroelectric and nuclear businesses are described in Ex. A1-4-2 and Ex. A1-4-3, respectively.

### 2.0 CORPORATE OVERVIEW

OPG is an electricity generation company whose principal business is the generation and sale of electricity in Ontario. OPG's focus is on the effective stewardship of generation assets owned by the people of Ontario. This is achieved by focusing on: (i) the safe, reliable operation of its facilities including the avoidance of harm to employees, contractors, and the public at large, (ii) the management of these facilities by maintaining a strong focus on delivering value for money and (iii) adhering to the highest standards of corporate citizenship, including a commitment to environmental and social objectives.

As part of its business, OPG owns and operates both regulated and unregulated generation facilities. The generation facilities consist of two nuclear generating stations with a total generation capacity of 6,606 MW and 65 hydroelectric generating stations with a total generation capacity of 6,996 MW, for a combined generation capacity of 13,602 MW. Of the 65 hydroelectric generating stations, 54 stations are regulated while 11 stations are unregulated. The generation capacity of the regulated generating stations is 6,422 MW, while the generation capacity of the unregulated generating stations is 573.9 MW.

While not regulated facilities, the Bruce A and B Generating Stations have an impact on the calculation of the payment amounts. These stations are owned by OPG and leased on a long-term basis to Bruce Power L.P. The revenues from the lease, net of costs, are used to reduce the payment amounts for the regulated facilities.

The locations of the regulated facilities and other OPG facilities are illustrated on the map provided as Attachment 1.

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2 In 2012 the nuclear facilities generated 49 TWh, representing approximately 59 per cent of  
3 OPG's energy production. The hydroelectric facilities generated 30.6 TWh, representing  
4 approximately 37 per cent of OPG's energy production. Of the 30.6 TWh generated by OPG  
5 hydroelectric facilities, 18.5 TWh was generated by regulated facilities and 12.1 TWh was  
6 generated by unregulated hydroelectric facilities. Thermal facilities generated 4.1 TWh,  
7 representing approximately five per cent of OPG's energy production. In 2012 OPG  
8 generated a total of 83.7 TWh, representing approximately 60 per cent of the total electricity  
9 generated in the Province of Ontario (141 TWh). Further details on the regulated facilities are  
10 provided in Ex. A1-4-2 and Ex. A1-4-3.

11  
12 In addition to generating electricity for sale to the IESO-administered market, OPG's  
13 regulated assets sell ancillary products to the IESO markets, including operating reserve,  
14 voltage control/reactive support, black start capability, and automatic generation control.  
15 Revenues associated with sales of ancillary products from the regulated facilities are  
16 discussed in Exhibit G - Other Revenues.

### 17 18 **3.0 OPG GOVERNANCE AND ORGANIZATION**

19 OPG's Board of Directors ("OPG Board") is appointed by the shareholder. The OPG Board  
20 currently has 13 members, who bring substantial expertise in managing large businesses,  
21 managing and operating nuclear stations, managing capital intensive companies, and  
22 overseeing regulatory, government, and public relations. The OPG Board has established  
23 the following committees to focus on areas critical to OPG's success:

- 24  
25 • **Audit and Finance Committee:** This Committee is responsible for the integrity,  
26 quality and transparency of OPG's financial information, the adequacy of the financial  
27 reporting process, the systems of internal controls, and OPG's related principles,  
28 policies and procedures which Management have established. The Committee is  
29 responsible for the oversight of the Company's regulatory filings including the Annual  
30 Information Form, financial statements, Management Discussion & Analysis, and  
31 press releases prior to their disclosures to the public, including approval of quarterly

1 financial statements, recommending approval of the annual financial statements and  
2 various other annual disclosures of OPG Inc. to the Board. The Committee provides  
3 oversight of the performance of the OPG Pension Fund, the Used Fuel Segregated  
4 Fund and the Decommissioning Segregated Fund, reviews and recommends  
5 approval to the Board the audited financial statements of the Funds and approves the  
6 statement of investment policies and procedures for the OPG Pension Fund and the  
7 Decommissioning Segregated Fund.

- 8  
9 • **Governance and Nominating Committee:** This Committee oversees the Board's  
10 governance program and practices that are consistent with high standards of  
11 corporate governance including annually reviewing and assessing the Board's system  
12 of corporate governance with a view to maintaining these high standards. The  
13 Committee identifies and recommends to the Board candidates for election to be put  
14 before the Shareholder. Finally, the Committee oversees OPG's processes for Board,  
15 Committee and Director assessments, as well as Director compensation and new  
16 Director orientation.
- 17  
18 • **Nuclear Oversight Committee:** This Committee is responsible for the oversight of  
19 safe and efficient operations of OPG's nuclear facilities. The Committee is  
20 responsible for reviewing Management's assessment of significant operational,  
21 transactional and strategic risks to achieving Nuclear Business Plan objectives.  
22 Additionally, the Committee is responsible for the development, risk management,  
23 financing and execution of major nuclear projects. The Committee is also responsible  
24 for reviewing annually, and confirming, the appointment of external  
25 advisors/assessors of OPG's nuclear operations, and Management's response and  
26 implementation of the results and major findings from such internal and external  
27 assessments. The Committee ensures that OPG's nuclear facilities and materials are  
28 in compliance with existing laws and Canadian Nuclear Safety Commission  
29 regulations and the Committee monitors OPG's nuclear waste and decommissioning  
30 liabilities and operations.

1       • **Risk Oversight Committee:** This Committee is responsible for the oversight of  
2       enterprise-wide risk and associated risk management activities including oversight of  
3       OPG's environment and dam safety managed systems and OPG's Aboriginal  
4       relations. The Committee is also responsible for reviewing Management's  
5       assessment of significant operational, transactional, and strategic risks to achieving  
6       Business Plan objectives in the Hydroelectric, Thermal, Energy Markets, Information  
7       Technology and all other non-Nuclear and non-Finance corporate and central support  
8       services. The Committee also receives information on nuclear risks and financial risks  
9       that are reported to the Nuclear Oversight Committee and Audit and Finance  
10      Committee, respectively. Additionally, the Committee is responsible for oversight of  
11      the development, risk management, financing and execution of complex major non-  
12      nuclear projects.

13  
14      • **Compensation and Human Resources Committee:** This Committee provides  
15      oversight of OPG's human resources and compensation policies and practices,  
16      including CEO objectives and compensation, disclosure on compensation and human  
17      resources matters, leadership talent review, succession planning, labour negotiations  
18      and human resources policies related to employee complaints, diversity, pay equity,  
19      organizational design and labour relations. The Committee also provides oversight of  
20      OPG's pension plans and related policies. The Committee is responsible for ensuring  
21      that an effective Code of Business Conduct is in place at OPG and monitoring  
22      compliance with the Code.

23  
24      OPG's senior management team is led by OPG's President and Chief Executive Officer  
25      ("CEO"), who is also a member of the OPG Board. The leaders of the nuclear and regulated  
26      hydroelectric business units all report to the President and CEO. The organization and  
27      management of the nuclear and the regulated hydroelectric business units, which are the  
28      subject of this Application, are described in greater detail in Ex. A1-4-2 and Ex. A1-4-3,  
29      respectively.

1 Also reporting directly to the President are the various functions that provide support to the  
2 operational business units. These include Business and Administrative Services, Finance,  
3 People and Culture, and Law. Please refer to the organizational chart provided in Ex. A1-5-1  
4 for further detail.

#### 6 **4.0 OPG's MANDATE AND OBJECTIVES**

7 In addition to being governed by the various policies in areas such as safety, Code of  
8 Business Conduct, disclosure and the environment, OPG is subject to the terms of a  
9 Memorandum of Agreement between the Shareholder and OPG, dated August 17, 2005 (the  
10 "Memorandum of Agreement"), which sets out the Shareholder's expectations regarding  
11 OPG's mandate, governance framework, generation performance and investment, financial  
12 framework and communications. The Memorandum of Agreement states that "OPG will  
13 operate as a commercial enterprise with an independent Board of Directors, which will at all  
14 times exercise its fiduciary responsibility and a duty of care to act in the best interests of  
15 OPG." The Memorandum of Agreement is provided in Attachment 2.

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17 The Memorandum of Agreement further states that the Shareholder may at times direct OPG  
18 to undertake special initiatives, which will be communicated as written declarations by way of  
19 a Unanimous Shareholder Agreement, or Declaration, in accordance with section 108 of the  
20 *Ontario Business Corporations Act* and made public. Copies of the shareholder directives  
21 that OPG has received are posted on OPG's website at:

22 <http://www.opg.com/about/governance/open/directives.asp>.

## **LIST OF ATTACHMENTS**

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3 Attachment 1: Map showing locations of the regulated facilities and other OPG  
4 facilities

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6 Attachment 2: Memorandum of Agreement between the Shareholder and OPG