

OVERVIEW OF OPG

1.0 PURPOSE

This evidence provides an overview of OPG, including a brief description of OPG's corporate history, an overview of its key assets, operations, corporate governance and organization, and an explanation of OPG's mandate and objectives. This information is intended to provide context that is relevant to understanding the evidence presented within the Application. OPG's hydroelectric and nuclear businesses are described in a similar manner in Ex. A1-T4-S2 and Ex. A1-T4-S3, 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 efficient production and sale of electricity from its generation assets, while operating in a safe and environmentally responsible manner.

OPG was incorporated on December 1, 1998 under the *Ontario Business Corporations Act*. The generating assets of OPG's predecessor, Ontario Hydro, along with related liabilities, were subsequently transferred to OPG in April 1999. OPG's sole shareholder is Her Majesty the Queen in Right of the Province of Ontario, as represented by the Minister of Energy. OPG's head office is located in the City of Toronto.

OPG owns a diversified portfolio of electricity generating facilities. In 2006, OPG assets generated approximately 70 percent of the electricity consumed in Ontario. As of December 31, 2006, OPG's generating portfolio had 22,147 MW of total in-service capacity, comprised of the following:

- Three nuclear generating stations, with 6,606 MW capacity.
- 64 hydroelectric generating stations, with 6,956 MW capacity.
- Five fossil generating stations, with 8,578 MW capacity.
- Three wind generating stations (one of which is co-owned with Bruce Power), with 7 MW capacity.

1

2 In addition to the above:

- 3 • The Bruce A and B Generating Stations are owned by OPG but leased on a long-term
4 basis to Bruce Power L.P.
- 5 • OPG, ATCO Power Canada Ltd. and ATCO Resources Ltd. co-own the Brighton Beach
6 gas-fired generating station.
- 7 • OPG and TransCanada Energy Ltd. co-own the Portlands Energy Centre, a gas-fired
8 generating station that is now under construction.

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10 The prescribed facilities which are the subject of this Application consist of three nuclear
11 generating stations and six hydroelectric generating stations for a combined generating
12 capacity of 9938 MW. The prescribed facilities are:

13

- 14 • Niagara Plant Group, comprised of:
- 15 ○ Sir Adam Beck I Generating Station (447 MW capacity)
 - 16 ○ Sir Adam Beck II Generating Station (1499.2 MW capacity)
 - 17 ○ Sir Adam Beck Pump Generating Station (174 MW capacity)
 - 18 ○ DeCew Falls I and II Generating Station (166.8 MW capacity)
- 19 • R. H. Saunders Generating Station (1045 MW capacity)
- 20 • Pickering A Generating Station (1030 MW capacity)
- 21 • Pickering B Generating Station (2064 MW capacity)
- 22 • Darlington Generating Station (3512 MW capacity)

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24 The locations of the regulated facilities and other OPG facilities are illustrated in the map
25 provided at Appendix A.

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27 In 2006, the regulated hydroelectric facilities represented 3,332 MW or 15 percent of OPG's
28 in-service generation capacity and generated 18.3 TWh or 17 percent of OPG's energy
29 production. The nuclear facilities represented 6,606 MW or 30 percent of OPG's in-service
30 capacity and generated 46.9 TWh or 45 percent of OPG's energy production. Together the
31 prescribed facilities represent 45 percent of the total generating capacity in the Province of

1 Ontario. Further details on the regulated facilities are provided in Ex. A1-T4-S2 and Ex. A1-
2 T4-S3.

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4 In addition to generating electricity for sale to the IESO-administered market, OPG's
5 prescribed assets enable the sale of ancillary products to the IESO markets, including
6 operating reserve, voltage control/reactive support, black start capability, and automatic
7 generation control. Revenues associated with sales of ancillary products from the regulated
8 facilities to the IESO markets are considered in Exhibit G Other Revenues.

9
10 **3.0 OPG GOVERNANCE AND ORGANIZATION**

11 OPG's Board of Directors are appointed by the shareholder. The Board of Directors currently
12 has twelve members, who bring substantial expertise in managing and restructuring large
13 businesses, managing and operating nuclear stations, managing capital intensive
14 companies, and overseeing regulatory, government, and public relations. The Board of
15 Directors (the "Board") has established the following committees of the Board to focus on
16 areas critical to the success of the Company:

17
18 1. Audit and Risk Committee: This Committee is responsible for reviewing the Company's
19 regulatory filings including financial statements, management discussion and analysis,
20 and press releases prior to their disclosures to the public. This Committee is also
21 responsible for overseeing the internal audit function, the work of external auditors
22 including their nomination and compensation, that the Company has adequate controls in
23 the financial reporting process and the risk management process, and is in compliance
24 with regulatory and internal policies.

25
26 2. Governance and Nominating Committee: This Committee develops governance
27 principles for OPG that are consistent with high standards of corporate governance and
28 reviewing and assessing on an ongoing basis OPG's system of corporate governance
29 with a view to maintaining these high standards. This Committee also identifies and
30 recommends candidates for election or appointment to the Board to be put before the
31 shareholder in the event of a vacancy on the Board.

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3. Nuclear Operations Committee: This Committee is responsible for oversight of safe and efficient operations of OPG's nuclear business, regulatory compliance of OPG's nuclear facilities, review of reports from independent oversight of OPG's nuclear operations, reviews of OPG nuclear management and organization matters, security of OPG's nuclear facilities and substances, and oversight of OPG's nuclear waste and decommissioning liabilities and management.
4. Investment Funds Oversight Committee: This Committee assists the Board in fulfilling its responsibilities for the OPG pension fund, the used fuel fund, and decommissioning fund. The Committee provides oversight of the investment of assets, investment-related liabilities, and the management of any surplus (deficit) of the funds.
5. Compensation and Human Resources Committee: This Committee focuses on human resources related areas including compensation practices, CEO objectives and compensation, disclosure on compensation and human resources matters, leadership talent review including succession planning, human resources policies related to employee complaints, diversity and pay equity, organizational design, labour relations, pension plans and policies, and Board compensation, education and evaluation programs.
6. Major Projects Committee: This Committee assists the Board in providing oversight of major non-nuclear electricity supply projects, including project development, contracting, financing, and construction monitoring.
7. Nuclear Generation Projects Committee: This Committee was formed in 2006 following direction from the shareholder to: (1) begin feasibility studies on refurbishing its existing nuclear units, and (2) to begin a federal approvals process, including an environmental assessment, for new nuclear units at an existing site. This Committee assists the Board in providing oversight of the new nuclear plant projects and the refurbishment and life extension projects for existing nuclear plants.

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OPG's senior management team is led by OPG's President and Chief Executive Officer, who is also a member of the Board of Directors. Reporting to the President from the operations side of the company is the Executive Vice President and Chief Operating Officer. There are five business units that report to the Chief Operating Officer: Nuclear, Nuclear Waste Management, Nuclear Generation Development and Services, Hydroelectric, and Fossil. The nuclear business units and the hydroelectric business unit, which are the subject of this Application, are described in greater detail at Ex. A1-T4-S2 and Ex. A1-T4-S3.

On the corporate side of the company, reporting directly to the President, are the various functions that provide the necessary support to the operational business units. These include functions such as Corporate Finance, Human Resources, Law, Energy Markets, and Corporate Affairs. Please refer to the organizational chart provided at Ex. A1-T5-S1 for further detail.

4.0 OPG MANDATE AND OBJECTIVES

In addition to being governed by the various policies established by OPG's Board of Directors and its senior management, such as in the areas of safety, disclosure and the environment, OPG is subject to the terms of a Memorandum of Agreement between the shareholder and OPG, dated August 17, 2005 (the "Memorandum of Agreement"), which sets out the shareholder's expectations regarding OPG's mandate, governance framework, generation performance and investment, financial framework and communications. The Memorandum of Agreement articulates the shareholder's expectation that "OPG will operate as a commercial enterprise with an independent Board of Directors, which will at all times exercise its fiduciary responsibility and a duty of care to act in the best interests of OPG." The Memorandum of Agreement is provided in Appendix B.

In accordance with the Memorandum of Agreement, OPG is obligated to focus on its core business of electricity generation and to operate its generating assets as efficiently and cost-effectively as possible, within the applicable legislative and regulatory frameworks and while mitigating risk to the Province. The Memorandum of Agreement specifically calls upon OPG

1 to continue to operate with a high degree of vigilance with respect to nuclear safety, to seek
2 continuous improvement in its nuclear generation business, as well as to improve and invest
3 in existing and new hydroelectric generating capacity. Importantly, the Memorandum of
4 Agreement also obligates OPG to operate “in accordance with the highest corporate
5 standards, including but not limited to the areas of corporate governance, social
6 responsibility and corporate citizenship”, as well as “in accordance with the highest of
7 corporate standards for environmental stewardship.”

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9 The Memorandum of Agreement further states that the shareholder may at times direct OPG
10 to undertake special initiatives, which will be communicated as written declarations by way of
11 a Unanimous Shareholder Agreement, or directives, in accordance with section 108 of the
12 *Ontario Business Corporations Act* and made public. As of the date of this Application, OPG
13 had received five such directives. While three of the directives are not relevant to this
14 Application, an October 14, 2005 directive related to the Bruce Power Lease Agreement and
15 a June 16, 2006 directive related to ‘refurbishment’ feasibility studies and beginning federal
16 approvals processes, including an environmental assessment, for ‘new nuclear’ are
17 significant. In response to the Memorandum of Agreement and directives, as well as other
18 government procurement efforts aimed at ensuring sufficient electricity supply, OPG is
19 pursuing several major projects to increase generating capacity at the prescribed facilities.

20
21 OPG is focused on the following corporate strategies for accomplishing its mandate and
22 objectives:

- 23 • Improving its generating asset performance.
- 24 • Increasing its generating capacity.
- 25 • Achieving financial sustainability.
- 26 • Achieving excellence in corporate governance, safety, social responsibility, corporate
27 citizenship, and environmental stewardship.

LIST OF ATTACHMENTS

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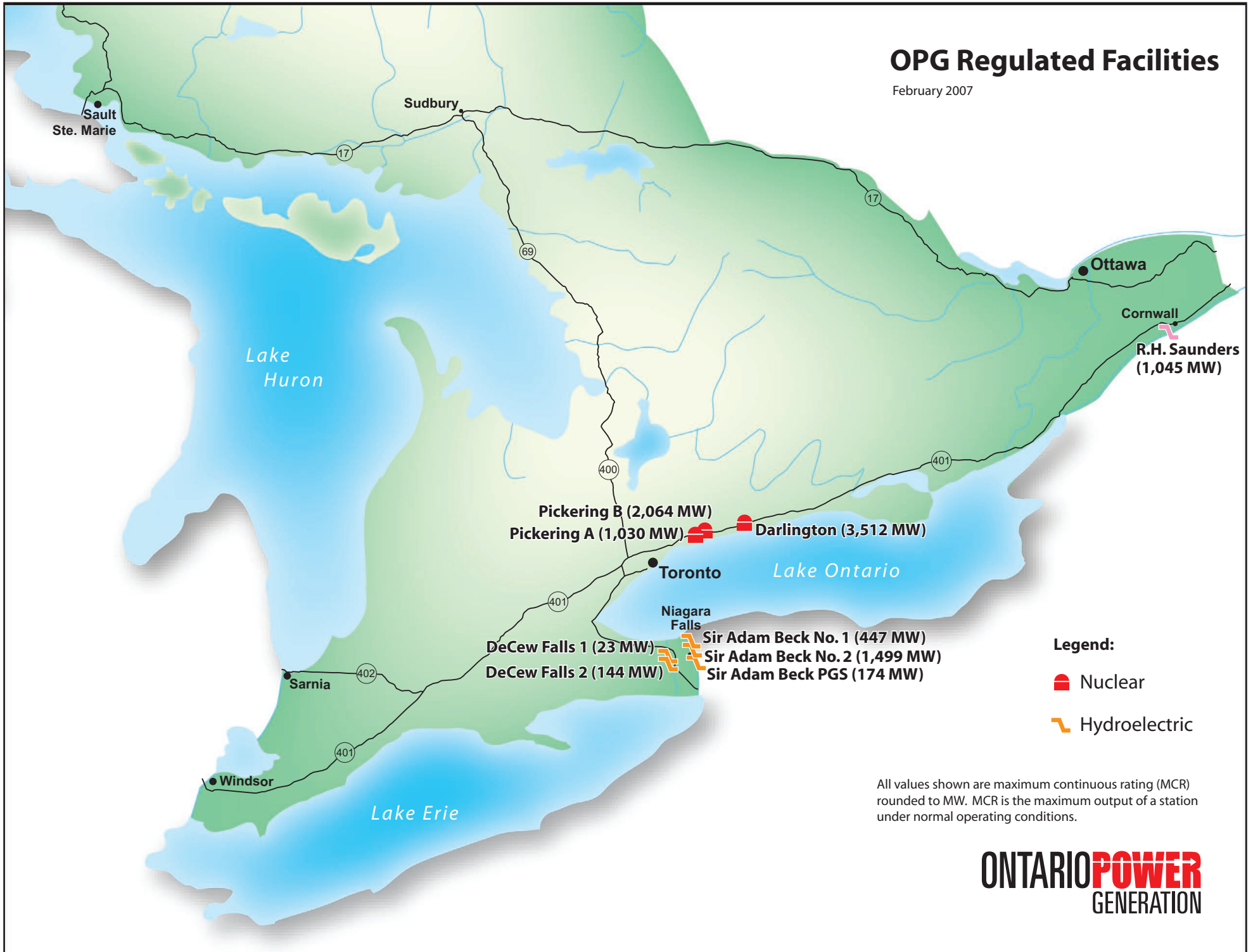
3 Appendix A: Map showing locations of the regulated facilities and other OPG facilities

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5 Appendix B: Memorandum of Agreement between the Shareholder and OPG

OPG Regulated Facilities

February 2007



Legend:

 Nuclear

 Hydroelectric

All values shown are maximum continuous rating (MCR) rounded to MW. MCR is the maximum output of a station under normal operating conditions.

ONTARIOPOWER
GENERATION

Memorandum of Agreement

BETWEEN

**Her Majesty the Crown In Right of Ontario (the
"Shareholder")**

And

Ontario Power Generation ("OPG")

Purpose

This document serves as the basis of agreement between Ontario Power Generation Inc. ("**OPG**") and its sole Shareholder, Her Majesty the Queen in Right of the Province of Ontario as represented by the Minister of Energy (the "**Shareholder**") on mandate, governance, performance, and communications. This agreement is intended to promote a positive and co-operative working relationship between OPG and the Shareholder.

OPG will operate as a commercial enterprise with an independent Board of Directors, which will at all times exercise its fiduciary responsibility and a duty of care to act in the best interests of OPG.

A. Mandate

1. OPG's core mandate is electricity generation. It will operate its existing nuclear, hydroelectric, and fossil generating assets as efficiently and cost-effectively as possible, within the legislative and regulatory framework of the Province of Ontario and the Government of Canada, in particular, the Canadian Nuclear Safety Commission. OPG will operate these assets in a manner that mitigates the Province's financial and operational risk.
2. OPG's key nuclear objective will be the reduction of the risk exposure to the Province arising from its investment in nuclear generating stations in general and, in particular, the refurbishment of older units. OPG will continue to operate with a high degree of vigilance with respect to nuclear safety.
3. OPG will seek continuous improvement in its nuclear generation business and internal services. OPG will benchmark its performance in these areas against CANDU nuclear plants worldwide as well as against the top quartile of private and publicly- owned nuclear electricity generators in North America. OPG's top operational priority will be to improve the operation of its existing nuclear fleet.
4. With respect to investment in new generation capacity, OPG's priority will be hydro- electric generation capacity. OPG will seek to expand, develop and/or improve its hydro- electric generation capacity. This will include expansion and redevelopment on its existing sites as well as the pursuit of new projects where feasible. These investments will be taken by OPG through partnerships or on its own, as appropriate.

5. OPG will not pursue investment in non-hydro-electric renewable generation projects unless specifically directed to do so by the Shareholder.
6. OPG will continue to operate its fossil fleet, including coal plants, according to normal commercial principles taking into account the Government's coal replacement policy and recognizing the role that fossil plants play in the Ontario electricity market, until government regulation and/or unanimous shareholder declarations require the closure of coal stations.
7. OPG will operate in Ontario in accordance with the highest corporate standards, including but not limited to the areas of corporate governance, social responsibility and corporate citizenship.
8. OPG will operate in Ontario in accordance with the highest corporate standards for environmental stewardship taking into account the Government's coal replacement policy.

B Governance Framework

The governance relationship between OPG and the Shareholder is anchored on the following:

1. OPG will maintain a high level of accountability and transparency:
 - OPG is an *Ontario Business Corporations Act* ("OBCA") company and is subject to all of the governance requirements associated with the OBCA.
 - OPG is also subject to the *Freedom of Information and Protection of Privacy Act*, the *Public Sector Salary Disclosure Act* and the *Auditor General Act*.
 - OPG's regulated assets will be subject to public review and assessment by the Ontario Energy Board.
 - OPG will annually appear before a committee of the Legislature which will review OPG's financial and operational performance.
2. The Shareholder may at times direct OPG to undertake special initiatives. Such directives will be communicated as written declarations by way of a Unanimous Shareholder Agreement or Declaration in accordance with Section 108 of the OBCA, and be made public within a reasonable timeframe.

C. Generation Performance and Investment Plans

1. OPG will annually establish 3 –5 year performance targets based on operating and financial results as well as major project execution. Key measures are to be agreed upon with the Shareholder and the Minister of

Finance. These performance targets will be benchmarked against the performance of the top quartile of electricity generating companies in North America.

2. Benchmarking will need to take account of key specific operational and technology factors including the operation of CANDU reactors worldwide, the role that OPG's coal plants play in the Ontario electricity market with respect to load following, and the Government of Ontario's coal replacement policy.
3. OPG will annually prepare a 3 – 5 year investment plan for new projects.
4. Once approved by OPG's Board of Directors, OPG's annual performance targets and investment plan will be submitted to the Shareholder and the Minister of Finance for concurrence.

D. Financial Framework

1. As an OBCA corporation with a commercial mandate, OPG will operate on a financially sustainable basis and maintain the value of its assets for its shareholder, the Province of Ontario.
2. As a transition to a sustainable financial model, any significant new generation project approved by the OPG Board of Directors and agreed to by the Shareholder may receive financial support from the Province of Ontario, if and as appropriate.

E. Communication and Reporting

1. OPG and the Shareholder will ensure timely reports and information on major developments and issues that may materially impact the business of OPG or the interests of the Shareholder. Such reporting from OPG should be on an immediate or, at minimum, an expedited basis where an urgent material human safety or system reliability matter arises.
2. OPG will ensure the Minister of Finance receives timely reports and information on multi-year and annual plans and major developments that may have a material impact on the financial performance of OPG or the Shareholder.
3. The OPG Board of Directors and the Minister of Energy will meet on a quarterly basis to enhance mutual understanding of interrelated strategic matters.

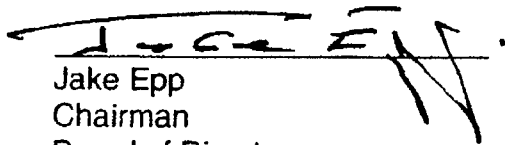
4. OPG's Chair, President and Chief Executive Officer and the Minister of Energy will meet on a regular basis, approximately nine times per year.
5. OPG's Chair, President and Chief Executive Officer and the Minister of Finance will meet on an as needed basis.
6. OPG's senior management and senior officials of the Ministry of Energy and the Ministry of Finance will meet on a regular and as needed basis to discuss ongoing issues and clarify expectations or to address emergent issues.
7. OPG will provide officials in the Ministry of Energy and the Ministry of Finance with multi-year and annual business planning information, quarterly and monthly financial reports and briefings on OPG's operational and financial performance against plan.
8. In all other respects, OPG will communicate with government ministries and agencies in a manner typical for an Ontario corporation of its size and scope.

F. Review of this Agreement

This agreement will be reviewed and updated as required.


Dated: the 17th day of August, 2005

On Behalf of OPG:



Jake Epp
Chairman
Board of Directors

On Behalf of the Shareholder:



Her Majesty the Queen in Right of
the Province of Ontario as
represented by the Minister of Energy,
Dwight Duncan