

Jim Hankinson
President and CEO
Ontario Power Generation
Nanticoke Community Dinner
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NOTES FOR REMARKS

Good evening and thank you for coming. It's a pleasure for me to be here with you. Our Nanticoke plant and its employees are very important to OPG. Equally important is the strong relationship we've enjoyed with the Nanticoke community.

It was 35 years ago that the first unit at Nanticoke began producing power. Since then, Nanticoke has produced almost 500 billion kilowatt hours of electricity – enough power to meet the needs of both Haldimand and Norfolk counties for more than 640 years. Nanticoke and its employees have consistently “been there” for Ontario, producing reliable power for the Province and its people.

In return you, as members of the community, have “been there” for Nanticoke – providing support; giving us advice and feedback; and working with plant management and employees to build a better community.

We could not ask for a more productive relationship than this – and I want to thank all of you for the contribution you have made to advance this relationship. I especially want to thank some special guests who are here today.

They include Ontario MPP Toby Barrett...Marie Trainer, Mayor of Haldimand County...and the Honourable Diane Finley, MP for Haldimand-Norfolk. Ms. Finley is also Federal Minister of Citizenship and Immigration and a former Nanticoke station employee.

In addition, I want to welcome members of the Haldimand and Norfolk Council and members of our Community Liaison Panel.

I'd also like to acknowledge OPG's Frank Chiarotto. Frank became Nanticoke plant manager earlier this year and was formerly plant manager at our Lambton coal-fired plant for nine years. Before that, he was a manager here at Nanticoke; and before that, he was plant manager at OPG's Atikokan coal-fired station in northern Ontario. Frank is one of the best power plant managers in the business. He's also deeply committed to the community, as I am sure many of you have already discovered for yourselves.

Supporting Frank on the community and communications front is Kim McLennan. Kim is Nanticoke's Site Communications Officer. She's a graduate of McMaster University and of Humber College and has had over six years of PR and communications experience with Hydro One. I'm sure many of you know Kim already, and we are very pleased she's part of our Nanticoke team.

Given that this year is Nanticoke's 35th anniversary, I'd like to talk specifically about Nanticoke's performance and the performance of our entire generating fleet, including our fossil stations. I also want to talk a bit about the future and Nanticoke's role going forward.

Performance Highlights

OPG takes pride in being a performance-driven company.

In terms of our performance, 2006 was a good year for OPG. Nuclear production rose and has increased every year since 2003. Hydroelectric output increased – with our hydro plants achieving a strong reliability level of 93 per cent.

Fossil performance was equally impressive. Fossil reliability improved for the second year in a row and was the best it's been since the year 2000. Our fossil production was down compared to 2005. But this was no reflection on the plants themselves, but rather the result of lower demand and higher output from our nuclear and hydro facilities.

The environmental performance of our fossil plants was also impressive. Total emissions and emission rates in terms of SO₂ and NO_x were the lowest they've been since the early 1980s. CO₂ emissions were also lower and were, in fact, actually below 1990 levels – the year chosen as the base year for CO₂ reductions under the Kyoto agreement. Emissions fell for a number of reasons, including: lower electricity demand; increased production from OPG's nuclear and hydroelectric operations; and equipment and efficiency improvements undertaken at many of our fossil stations.

Another big success scored by our fossil stations was their strong performance during the heat wave that occurred at the end of July and early August, 2006. During that time, virtually every one of our fossil units was operating or ready to operate. You may recall that on August 1, electricity demand in Ontario reached a record high of over 27,000 MW. On that one day, Nanticoke alone generated 3,400 MW - making it the second largest power producer in the province, second only to our Darlington nuclear station.

Fossil employees also came through for the Province this past February, which was the coldest in Ontario in 20 years. February fossil production was 23 per cent higher than plan.

Successes like these have contributed significantly to improving OPG's credibility. We are increasingly seen as a company that delivers on its commitments and does what it says it's going to do.

New Generation Projects

As a result, the Ontario Government has asked us to take on a number of new generation projects to help meet Ontario's future electricity needs. These include:

- the Niagara Tunnel to divert more water to the Beck hydro stations near Niagara Falls;
- the 12.5 MW Lac Seul hydroelectric station in northwest Ontario; and
- the gas-fired Portlands Energy Centre project in downtown Toronto, which we're undertaking in partnership with TransCanada Energy.

These are all turn-key projects contracted out on a design-build basis to third party contractors responsible for bringing them in on time and on budget. OPG is the project manager.

We welcome the opportunity to undertake these projects and are pleased with the Government's confidence in us to manage them successfully.

Important Role Played by OPG's Fossil Operations

If I may, I'd now like to expand for a moment on the valuable service provided by our fossil plants and fossil employees, because they truly deserve the recognition.

Flexible operations: Our fossil plants are the most flexible plants in our portfolio. We use them largely as swing resources to produce power during daily and seasonal periods of higher demand. Their ability to power up quickly makes them ideal for this function

Electricity from these plants is offered into the market after we have offered power from our nuclear, baseload hydro and peaking hydro facilities. To minimize emissions, we make sure that fossil units equipped with environmental technologies go online ahead of our other fossil units.

Improved Environmental Performance: Over the past 25 years, OPG and our predecessor have implemented a number of environmental improvements to reduce fossil-fuelled emissions. These include burning low sulphur coal; installing SO₂ scrubbers; and equipping all our coal-stations with low NO_x burners.

You will recall that in 2003, we installed Selective Catalytic Reduction equipment on two units at Lambton and Nanticoke respectively, reducing NO_x emissions on those units by more than 80 per cent.

Today, our fossil plants produce about 65 per cent fewer acid gas emissions than they did in the early 1980s while still producing the same amount of electricity.

Recently, we have also been running test burns at Nanticoke and other plants that add biomass – in the form of wheat shorts or grain screenings -- to our fuel mix. We're doing this as a means of reducing our net CO₂ emissions.

We also plan additional tests to explore the wider impact of using biomass.

Burning biomass is a complex undertaking. It creates opportunities for the agricultural and industrial players who grow and make biomass products. But it also creates challenges. There are technical issues to consider such as the effect of burn heat-rates on equipment. There are transportation issues to take into account. (How do you move the material?) Storage issues to take into account. (Where and how do you store it...and in what quantities?) And sourcing and pricing issues to take into account. (Who do you buy it from? How do you buy it in large quantities without creating undue price disruption?).

Resolving these issues will require input from many different sources – including government, business, academia, the community as well as OPG – to determine whether or not it's feasible to pursue the biomass option.

OPG wants be as flexible as possible when it comes to adopting new processes like biomass. At the same time we are committed to operate as a responsible commercial business and as a responsible corporate citizen. It's a delicate balance, but an important one to maintain.

Dedicated Employees: Turning to our employees, it has been our good fortune to have many employees -- at Nanticoke and across our fossil operations -- who are skilled and dedicated and can cope with change.

As you know, it's the policy of the Ontario government to significantly reduce coal-fired generation in the Province by 2011. After that, some stations will play a back-up role to protect against system-supply shortfalls until 2014. It goes without saying that this has created uncertainty and anxiety among fossil employees and the community. But that hasn't impacted their performance or their commitment.

In fact, as I said, our performance in terms of reliability and the environment is excellent. Not to mention the great job our employees did during last summer's heat wave.

In 2006, we hired more than 100 new OPG employees at Nanticoke to ensure the plant continues to deliver reliable power to Ontario for as long as it's needed and to ensure that we carry on the tradition of dedicated and focused service that has always characterized our fossil employees.

We are very proud of all our fossil employees for the great job they have done -- and continue to do -- every day of the week.

The Future of Coal in Ontario

Looking to the future, I want to address a couple of issues that relate to Nanticoke. One has to do with future investments in environmental improvements. The other relates to the future use of the Nanticoke site.

With respect to new environmental improvements, the Ontario Government stated last month, on advice from the Ontario Power Authority, that it would not be economically justifiable to invest in additional environmental control technologies given its commitment to substantially reduce coal generation by 2011.

As for OPG's role, we will continue to operate our coal plants safely, reliably and in an environmentally responsible manner. This has been our approach and will continue to be our approach until we are instructed that they are no longer needed to ensure security of supply.

The other issue I want to touch on is the future of the Nanticoke site.

I know there's been speculation about the Nanticoke industrial area as a potential site for a nuclear facility. This stems in part from last year's OPA Supply Discussion Paper, which suggested the Nanticoke site would be suitable for power generation in the future. In addition, the *Simcoe Reformer* reported earlier this month that over 60 per cent of those polled in a survey taken in March "would welcome construction of a nuclear installation in Nanticoke."

OPG acknowledges the community's interest in this matter, but we have not been directed by the provincial government to develop plans to build nuclear units at Nanticoke.

At the direction of our Shareholder, we have begun the federal approvals process for an environmental assessment. We have also submitted a project description for new nuclear units at Darlington. We believe Darlington is an excellent site for new nuclear, and we are basing our efforts on that premise. We have received no direction from the government to proceed with construction. Nor have we been directed to initiate any other new nuclear projects at this time. At this point, we are focusing mainly on the EA.

An Ontario Energy Ministry spokesperson was also recently quoted in the *Simcoe Reformer* as saying that any new nuclear reactors in the province would be built beside existing reactors. It's also important to note that the government has placed a limit of 14,000 MW on the total nuclear capacity for the province. Should this change in the future, we could be interested in pursuing additional nuclear generation at an appropriate site.

OPG's Community Involvement

In closing, let me repeat that OPG is committed to operating its coal-fired stations -- including Nanticoke -- for as long as they are needed by the government to meet Ontario electricity needs. This commitment extends to the Nanticoke community, with whom we have had a long and productive relationship.

More than 600 men and women are full time OPG employees at the station, and over 80 per cent of them live in the community. If you include our contractors who are working on projects and plant overhauls, the number grows to more than 1,000.

Many of our employees are active as community volunteers. Many others support local charities with donations made through our annual Charity Campaign. Through our Corporate Citizenship activities, OPG supported more than 80 local community, environmental and educational initiatives last year -- including the Taquanyah Nature Centre; the Norfolk County Fair's "Read Your Way to the Fair" program. We also operate the Nanticoke Co-Op Education initiative, which has provided co-op work opportunities to local high school students since 1991.

Our economic contribution is also significant. In 2006 alone, Nanticoke contributed \$4.5 million in property taxes. This is in addition to the \$4.5 million in goods and services we purchase locally and the goods and services purchased by our employees.

I cite these examples simply to illustrate the strong relationship that exists between Nanticoke and the local community. Thirty-five years ago, Haldimand-Norfolk residents welcomed Nanticoke as a neighbour and a friend into their midst. Since that time, you have given us your trust, your confidence and your support. In return, we have tried to earn the trust you've placed in us by being a good corporate citizen and by operating Nanticoke in a safe, efficient, and environmentally responsible manner. As long as Nanticoke is needed by the people of Ontario, we will continue to deliver on these commitments.

Thank you.