

# Recommendations

## **Recommendation II.1**

That OPG serve the people of Ontario as a steward of its core generating assets providing a diverse, cost competitive, stable supply of electricity at regulated prices.

## **Recommendation II.2**

That the government of Ontario remain the sole shareholder of OPG.

## **Recommendation II.3**

That OPG retain ownership of its nuclear, major hydro-electric, and fossil-fuel generating assets.

## **Recommendation II.4**

That OPG withdraw from non-core businesses (including wind-power, solar, biomass and small hydro projects) in an orderly fashion to allow room for others better suited to these businesses.

## **Recommendation II.5**

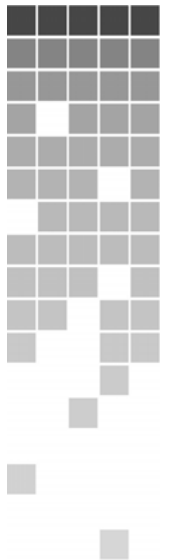
That OPG may, on its own or with partners, redevelop, enhance, and/or expand existing facilities that are part of its core assets.

## **Recommendation II.6**

That OPG's role as a builder of new capacity not serve as a disincentive to new investors.

## **Recommendation II.7**

That the Ontario Energy Board, acting as an independent body, approve the rate or rates at which the output of each OPG generating division is sold.





## **Recommendation II.8**

That, for each generating division, the Ontario Energy Board base the rate or rates on cost of production plus a reasonable rate of return on capital that is comparable to the return earned by a regulated commercial company (or division of a company) with a similar business profile.

## **Recommendation II.9**

That the Ontario Energy Board apply performance-based rate-making approaches to setting OPG's rates to drive better performance at OPG.

## **Recommendation II.10**

That OPG explore joint ventures, partnerships and leases for the operation and maintenance of its core generating assets where it is in its commercial interests to do so.

## **Recommendation II.11**

That, where appropriate, OPG make its land holdings available on commercial terms to other parties to develop new electricity generating facilities.

## **Recommendation III.1**

That OPG remain a single, commercially oriented company under the Business Corporations Act (Ontario), that the current arrangement in which the Province does not guarantee OPG's debt continue; and that OPG be divided internally into two principal operating divisions, the nuclear division and the hydro/fossil division.

## **Recommendation III.2**

That a separate management team led by a divisional Chief Executive Officer, accountable to the CEO of OPG, operate each division.

## **Recommendation III.3**

That OPG be structured so that as many as possible of the operating functions necessary for the success of a division, including regulatory affairs, financial reporting and risk management, are located within the division, and that each division assume or absorb all corporate costs and head office costs reasonably associated with its share of the business revenues of OPG.

### **Recommendation III.4**

That the divisions each year produce detailed financial statements, and a management discussion and analysis of results, which are made public.

### **Recommendation III.5**

That each of the divisions produce each year an annual five-year rolling business plan for the division, which will form the basis of the OPG business plan.

### **Recommendation III.6**

That OPG as regulated company have a capital structure similar to other regulated commercial utilities.

### **Recommendation III.7**

That as soon as practical the OPG Board present a plan, with timeframes, to the shareholder for reorganizing the company into two principal operating divisions and winding down non-core business units.

### **Recommendation IV.1**

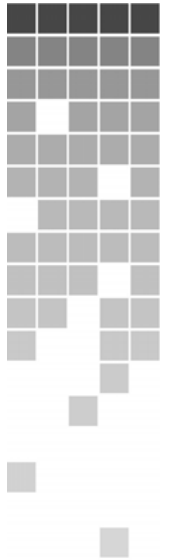
That the OPG board consist of up to 12 directors appointed by the Province and that the directors bring to the Board skills and experience in areas such as nuclear electricity generation, finance, environmental matters and human resource management.

### **Recommendation IV.2**

That the Chair serve part-time and have no executive powers.

### **Recommendation IV.3**

That Board members be remunerated in line with remuneration paid to members of boards of comparable private sector entities.





#### **Recommendation IV.4**

That when new directors are needed, a committee of the Board of OPG develop, for shareholder consideration, a list of Board needs and skills that is made public and is used by the committee to develop a roster of director nominees for shareholder consideration.

#### **Recommendation IV.5**

That instructions or similar directives, when given by the shareholder to OPG, be in writing and be given as a matter of public record.

#### **Recommendation IV.6**

That OPG each year certify and disclose senior officer employment terms, compensation, benefits and expenses.

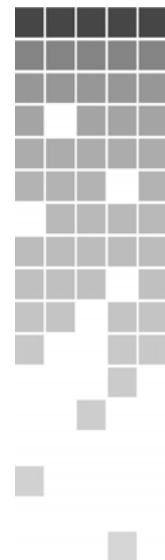
#### **Recommendation IV.7**

That the Board issue a report each year on its priorities and progress and its conclusions as to how effectively the Company was governed during the prior year.

#### **Recommendation IV.8**

That OPG clearly define a mission and vision for the company, based on its role as steward of core generating assets and also reflecting such elements as:

- Environmental sustainability;
- Due regard to health, safety and community needs;
- Relative performance among peers; and
- Achieving its goals through a workforce committed to embracing the public trust around Ontario's publicly owned generating assets



### **Recommendation IV.9**

That every year OPG prepare for Board and shareholder approval a rolling five-year business plan and that a summary of such plan be made public;

That each operating division prepare a similar plan on which the OPG business plan can be based; and

That OPG submit to the shareholder for approval any material capital expenditures not included in the approved OPG business plan

### **Recommendation IV.10**

That the Board hold management accountable for pursuing and achieving company goals by:

- establishing annual objectives for the CEO reflecting the Company approved business plan;
- ensuring that a significant portion of compensation is performance based;
- aligning performance based compensation with such annual objectives;
- requiring the CEO to establish similar arrangements for the divisional Chief Executive Officers and the other senior officers of the divisions.

### **Recommendation IV.11**

That OPG hire and compensate managers in line with market conditions for comparable utilities.

### **Recommendation IV.12**

That throughout the organization, where possible, compensation be tied to individual, divisional and company performance



### **Recommendation IV.13**

That OPG develop control systems around major capital expenditure and/or O&M programs including:

- robust controls and metrics to measure project value as expenditures are made;
- conditions for making major capital expenditure decisions around the degree of completeness of project scoping and engineering;
- the means by which the board can be assured that all alternatives have been appropriately challenged before go-ahead authorizations are given for major expenditure programs; and
- the process by which follow-up reviews will be conducted in an independent manner to establish how actual performance compares to projected performance as estimated at the time of project approval.

### **Recommendation IV.14**

That OPG examine its approach to information provided to the Board with respect to major projects and programs to ensure that the information provided by OPG to its Board includes a full assessment of risks associated with the decision and the timing of the decision.

### **Recommendation IV.15**

That a Corporate Governance Officer be designated to assist OPG in managing governance related matters.

### **Recommendation IV.17**

That management of divisions be based in the field at or near the assets for which the division is responsible.

### **Recommendation IV.18**

That head office of OPG be reduced in size as much as possible as functions are moved to the two key operating divisions and, subject to cost-benefit analysis, be moved away from 700 University Avenue in Toronto.

**Recommendation V.1**

That OPG proceed with the project to return Pickering A Unit 1 to service.

**Recommendation V.2**

That the Board of OPG maintain the highest level of oversight for the duration of the project, including monitoring by third-party experts with direct accountability to the Board.

**Recommendation V.3**

That the Board of OPG wait until there is clear evidence of success on the Unit 1 Project before proceeding with any further development work on Unit 2 or 3.

**Recommendation V.4**

That the same level of due diligence applied on the decision to proceed with Unit 1, including a business case analysis, be repeated for each of Units 2 and 3.

