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Overview of Proposed Consolidation of leading Ontario Utilities

In April, 2015, Enersource, Horizon Utilities, Hydro One Brampton and PowerStream announced their intention to work together to form a new utility that would serve almost a million customers in York Region, Simcoe County, Peel Region, Hamilton and St. Catharines.

Shortly thereafter, it was determined that Enersource, Horizon Utilities and PowerStream would pursue a merger and jointly purchase the assets of Hydro One Brampton from the Ontario Government.

Since 1998, various governments in Ontario have sought to increase efficiencies in the electricity distribution sector. The 2012 Ontario Distribution Sector Review Panel and the 2015 Premier's Advisory Committee on Government Assets made recommendations that encouraged consolidation of the province's electricity distribution sector.

Legal agreements associated with the transaction were signed in March, 2016, signalling the completion of negotiations between the shareholders of Enersource (City of Mississauga and Borealis), Horizon Utilities (cities of Hamilton and St. Catharines) and PowerStream (cities of Barrie, Markham and Vaughan).

In April, 2016, shareholders submitted a **Mergers, Acquisitions, Amalgamations and Divestitures** (MAADs) application to the Ontario Energy Board (OEB) for regulatory approval for both the merger and acquisition. This approval process is estimated to take approximately six months, with a decision expected by late fall, 2016.

The transaction will create one large utility company that is able to better serve customers for both regulated and unregulated services. This includes a corporate holding company and head office, based in Mississauga (at what is now the Enersource Derry Rd. location), a regulated local distribution company based in Hamilton (at what is now the Horizon Utilities John St. location) and an innovation, growth and corporate services company based in Vaughan (at what is now the PowerStream Cityview Blvd. location). The regulated company will also retain utility operations centres in Barrie, Brampton, Hamilton, Markham, Mississauga and St. Catharines.

The appointment of the board of directors, the locations of job functions and other key developments will be announced in the coming months. The as-yet unnamed company's new corporate identity and brand will be announced pending OEB approval of the deal.

There would be no single controlling interest among the shareholders, ensuring all local interests are served.

Benefits to Customers

- Distribution rates will be lower over the long-term due to a lower revenue requirement needed for one, larger company (customers save an estimated \$1.1 billion over 25 years).
- Better customer service through enhanced and shared systems.
- Broader range of products than is currently available.
- Merged resources will facilitate greater access to innovative technologies.

Benefits to Shareholders

- Increase in shareholder value expected to be greater than \$270 million (based on higher net income).
- Steady and growing dividend stream for shareholders.
- Increased access to capital for investment in new business opportunities and to continuously improve community economic development.
- Greater ability to shape government policy and regulatory energy policy for the benefit of customers and shareholders.
- Stronger platform for growth due to larger geographical footprint, more diversification, greater capital resources and opportunity for financial expansion.