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Local Electric Utilities Set to Approach Municipal Councils for Merger Approval

Customers, shareholders and communities would benefit from proposed Enersource, Horizon Utilities and PowerStream Merger

Toronto - Over the next few weeks, the proposed merger of three Greater Golden Horseshoe Area electric utilities and joint purchase of a fourth, will be presented to municipal shareholders for approval.

The proposed merger of Enersource, Horizon Utilities and PowerStream and acquisition of the shares of Hydro One Brampton, would create a single new publicly-owned company that would serve over 900,000 customers in the Greater Golden Horseshoe Area. The business plan that will be presented to municipal councils is one that prioritizes benefits for customers, shareholders and communities.

The proposed merger, which was first announced on April 16, 2015, requires shareholder and regulatory approval by the Ontario Energy Board before it can proceed. Benefits include:

- 5.9% lower average annual customer distribution rates than with maintaining separate utilities, due to costs savings.
- $355 million (15%) in operating savings over the first 10 years.
- 24% increase in company earnings relative to the status quo, including improved returns for all municipal shareholders which will provide increased revenue for use in their communities.
- Shareholders of the existing utilities will be the shareholders of the new company. There would be no single controlling interest.
- Stronger platform for growth and the ability to implement new programs for customers due to company's larger geographical footprint; more diversification and greater capital resources.

The proposal being presented to municipal councils describes a utility with three head offices in existing locations, each with a strong, local presence: the Corporate Head Office would be located in Mississauga, the Utility Head Office would be located in Hamilton and the Sustainability and Innovation Head Office would be located in Vaughan. There would also be six service centres in the communities of Barrie, Brampton, Hamilton, Mississauga, Markham and St. Catharines.

Further details will be released after the proposal has gone before the shareholders of all merger participant companies. Given the multiple municipal shareholders and timing of their respective council meetings, voting by municipal councils is expected to conclude by early October.

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Backgrounder

Quotes

"Our plan to merge our companies offers a winning scenario for customers, shareholders and communities," said **Peter Gregg, President and CEO of Enersource**. "The Corporate Office for the new company would remain at Enersource's current Derry Road location, allowing us to continue to provide a strong local presence. It's an exciting proposal and one we look forward to implementing pending necessary approvals."

"As I have stated in the past, this is a terrific opportunity for customers and shareholders in Hamilton and St. Catharines," said **Max Cananzi, President and CEO of Horizon Utilities**. "Over the long run, average rates will be 5.9% lower while shareholder dividends will average an additional $3.8 million per year in Hamilton and $1 million per year in St. Catharines. In addition, the utility head office will be located in Hamilton and St. Catharines will retain a customer service call centre."

"PowerStream is a product of several consolidations over its 11-year history," said **Brian Bentz, President and CEO of PowerStream.** "Bringing utilities together has enabled us to have distribution rates that are among the lowest in Ontario, improve reliability and implement new technologies for the benefit of our customers. We are looking forward to continuing this to an even greater extent as a larger entity."

The Companies:

Enersource Corporation serves over 200,000 residential and commercial customers across Mississauga. Ninety percent of Enersource Corporation is owned by the City of Mississauga, and 10 percent is owned by BPC Energy Corporation (Borealis), which is part of the Ontario Municipal Employees Retirement System (OMERS).

Horizon Utilities Corporation provides electricity and related utility services to over 242,000 customers in Hamilton and St. Catharines. Horizon Utilities is wholly owned by Horizon Holdings Inc., a company jointly owned by the cities of Hamilton and St. Catharines through their holding companies Hamilton Utilities Corporation and St. Catharines Hydro Inc.

Hydro One Brampton Networks Inc. has more than 150,000 residential, commercial and industrial customers and serves an area of 300 square kilometers.

PowerStream Holdings Inc. is a municipally-owned energy company providing power and related services to more than 375,000 customers primarily residing or owning a business in communities located immediately north of Toronto and in Central Ontario. It is jointly owned by the Cities of Barrie, Markham and Vaughan through their respective holding companies, Barrie Hydro Holdings Inc., Markham Enterprises Corporation and Vaughan Holdings Inc.

Merger Facts:

Ownership would remain in public hands and with existing shareholder municipalities
There would be no single controlling interest in the new company. The proposed plan does not involve a sale of Enersource, Horizon Utilities or PowerStream, but rather, would create a stronger company with a significant local presence.

Backgrounder

Customer long-term distribution rates would be lower than what they would be without a merger, due to consolidation savings

The new utility will cost several millions of dollars a year less to operate than the four current utilities. The savings are primarily driven by lower costs associated with shared IT services including, for example, billing systems. These savings will be passed on to customers through reduced pressure on rate increases on the distribution portion of their electricity bills.

Improved services and access to new technologies for customers

A merger would allow the companies to share best practices and have access to increased resources to deliver a better and broader range of products and services to customers. Merger resources will facilitate improved service reliability.

Benefits for shareholders

Shareholders would own a more valuable utility and would see increased value and capital that can be used for investment priorities which will be identified locally, and for the benefit of communities.

Job duplication

Job duplication would be addressed through retirements, normal attrition and voluntary exit options to the fullest extent possible. The merger participants recognize the success of a new, larger company lies in the participation of strong, motivated employees who would function in a positive workplace.

Identifying the benefits of a merger

Working groups consisting of individuals in key departments from the three utilities and led by the Chief Financial Officers worked to identify best practices, cost savings, benefits for customers, shareholders and communities. Third party valuation was provided by Deloitte and the valuation model and business case were rigorously tested by four leading firms: Ernst & Young Global Inc., Navigant Consulting Inc., MorrisonPark Advisors Inc., and PricewaterhouseCoopers LLP.

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