

Markham General Committee Meeting

PowerStream Update - M&A Transaction

October 7, 2015

Agenda



- ✓ Value Proposition
- ✓ Value to Shareholders & Customers
- ✓ Synergies
- ✓ Conclusion

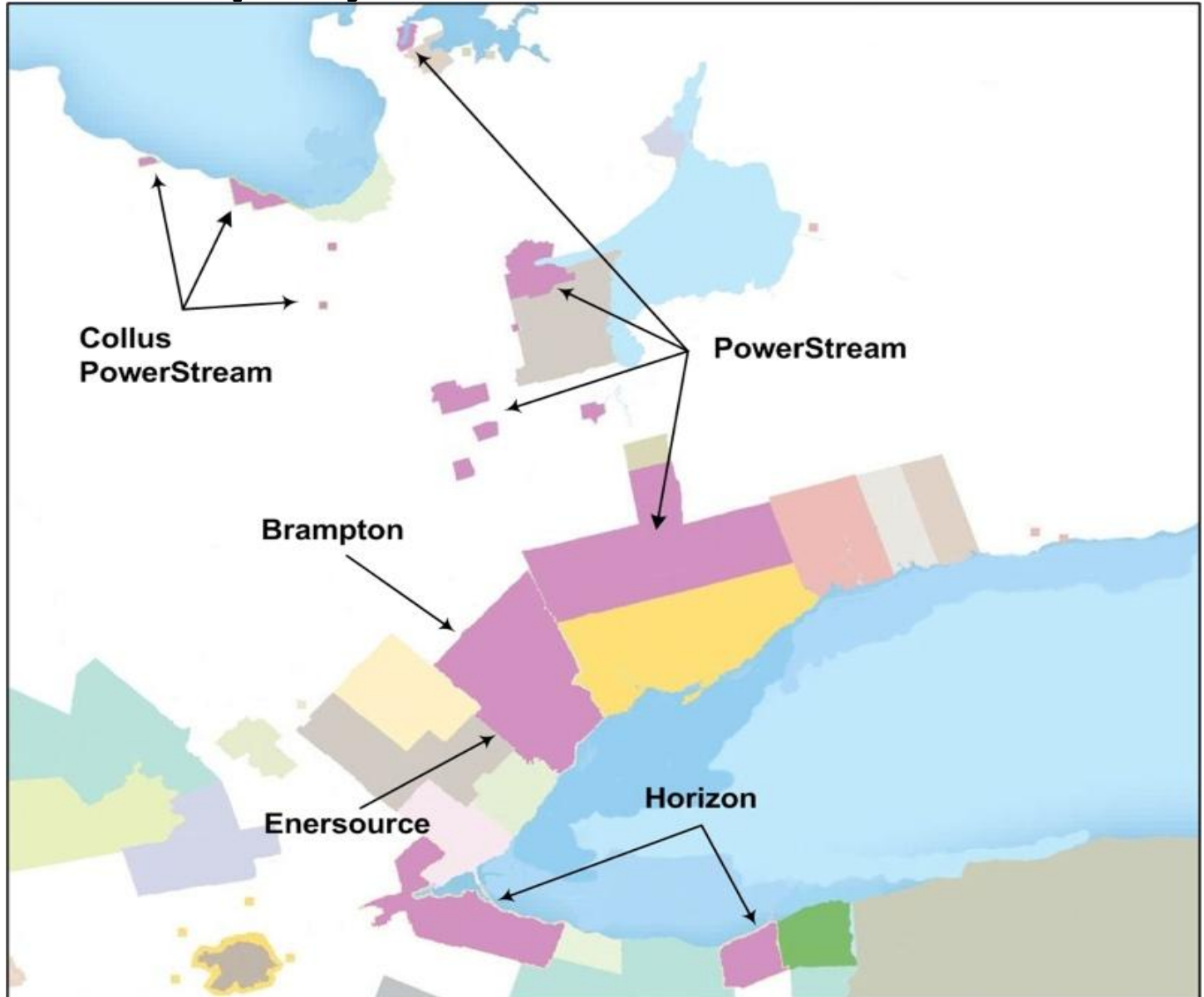
Second Largest Electricity Distribution Company in Ontario



✓ *1 million customers*

✓ *\$2.7 billion in assets*

✓ *\$2.5 billion rate base*



Value Proposition



Improved Financial Returns to Shareholders

- ✓ *Steady and growing dividend stream at a level higher than the Status Quo*
- ✓ *Investment has nominal payback of 11 years*
- ✓ *Investment will increase in value, due to synergy savings and Brampton dividends*

Cost Savings for Customers Compared to Status Quo

- ✓ *Rates will be lower than expected in the Status Quo*
- ✓ *Average Markham household saves approximately one month of distribution charges/year over 25 years*

Stronger Platform for Growth in the Future

- ✓ *Much larger utility with a bigger geographic footprint, more diversification, and greater capital resources and opportunities to finance expansion*

Greater Influence on Government Policy

- ✓ *MergeCo will be in a key position of leadership to influence government and regulatory energy policy for the benefit of customers and shareholders*

Value to shareholders – Markham

- ✓ Markham is being asked to invest up to \$43M
- ✓ Expected return on this investment is 7.7%, ranging from 4.1% to 10.6%, based upon an independent analysis by Navigant Consulting
- ✓ The transaction is expected to return the initial investment and increase shareholder value from \$2M-\$33M, based upon an independent analysis by Navigant Consulting

Value to Customers



- ✓ All customers will share in merger efficiencies and Markham customers will benefit by approximately \$64M over the first 25 years, or approximately one month of distribution charges/residential customer annually
- ✓ Better ability to serve customers through enhanced and shared systems and range of products/services available
- ✓ Increased resources to respond to reliability issues
- ✓ Investment in new business opportunities improves economic development in our communities

Markham Large Customer Benefits



The Transaction will deliver more customer benefit than *any possible alternative*, including the Status Quo

- ✓ Industrial Customer: Annual Savings of \$26,000 or a 19% reduction in the distribution (i.e. PowerStream) portion of the bill
- ✓ Commercial Customer: Annual Savings of \$8,100 or a 16% reduction in the distribution (i.e. PowerStream) portion of the bill
- ✓ Municipal, University, School and Hospital (MUSH) Sector Customer: Annual Savings of \$10,300 or a 17% reduction in the distribution (i.e. PowerStream) portion of the bill

Proposed Transaction – Estimated Synergy Savings

2016 – 2020

Estimated OM&A Synergy Savings

\$167 Million (approx)

Estimated Capital Savings

\$ 127 Million (approx)

Estimated Transition Costs

\$ 96 Million (approx)

(Approx 45% OM&A; 55% Capital)

- ✓ Synergies of approximately \$47.5M/year after 2020

Historic mergers – OM&A synergy savings

PowerStream merger (2004)

Annual ongoing OM&A savings

- ✓ Projected : \$6M
- ✓ Actually achieved: \$6.9M (19% of total OM&A)
- ✓ % of target achieved: **115%**

Barrie – PowerStream merger (2009)

Annual ongoing OM&A savings

- ✓ Projected : \$5.5M
- ✓ Actually achieved: \$6.2M (11% of total OM&A)
- ✓ % of target achieved: **113%**

PowerStream Shareholders continue to benefit from the investment in PowerStream solar assets

- ✓ PowerStream Solar will remain in LDC company
- ✓ PowerStream Shareholders receive 100% of the dividends of the Solar business

Risk Management



Risk	Mitigation
Synergies may not be achieved	PowerStream has a track record of meeting or exceeding its targets
Integration challenges	This is our fourth transaction in 10 years
Unidentified expenses/liabilities	Extensive due diligence already, and specific contractual protection
Transaction financing in a rising interest rate environment	Bridge financing for two years is secured; flexibility to arrange capital details after closing
Regulatory uncertainty affects business plan going forward	A larger, more prominent utility will carry more weight in the industry and have a greater role in policy

Summary



By pursuing the merger transaction, we will be stakeholders of the most dynamic utility in Canada

- ✓ *Reduced upward pressure on distribution rates for our customers*
- ✓ *Scale and opportunity to innovate and grow*
- ✓ *Strategically positioned to take advantage of opportunities in a changing industry landscape*
- ✓ *Increased Shareholder value and cash flows*