

December 10, 2013

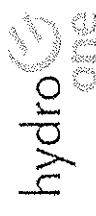
Haldimand County

Agenda:

- Offer Highlights
- Activity to date
- Potential Timelines

Ontario Energy Board	
FILE No.	EB-2013-0196/0187/0198
EXHIBIT No.	K1.2
DATE	December 12, 2013.
02/89	

Offer to Haldimand County



- WE OFFER SUPERIOR VALUE:

- Gross Value of Haldimand County Utilities Inc. is **\$77M**, less debt of \$15M results in cash value of \$62M
- In addition, 1) **\$2M** post closing claim allowance (including environment);
2) Hydro One will assume the Ontario Infrastructure debt cancellation charge; and
3) Hydro One to continue services to County (e.g. Water and Waste Water billing, Sentinel and Street Light maintenance and rental)

- WE WILL LOWER RATES:

- Residential and industrial electric distribution rates will be reduced 1% and frozen for 5 years
- If OEB does not approve then \$575K payment to Haldimand County

- WE WILL INCREASE ECONOMIC DEVELOPMENT ACTIVITY IN THE AREA:

- We will offer employment for all current utility staff and a one year location guarantee
- We will relocate portions of our Dundas and Lincoln operations to Haldimand County representing approximately 30 positions. This will entail expansion of the HCH Caledonia facilities and establishing a satellite operation centre in Dunnville

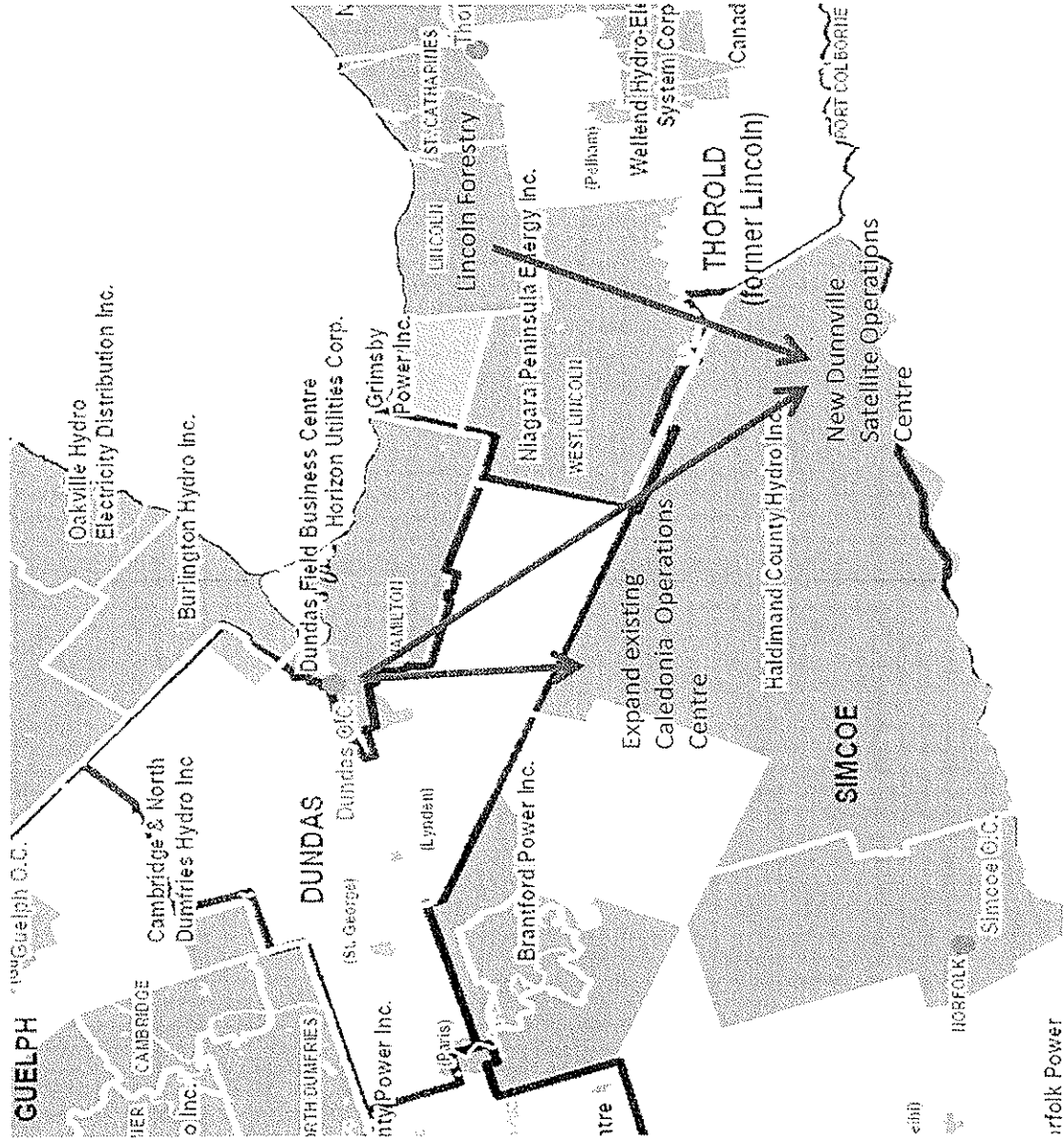
- WE WILL PROVIDE EXCEPTIONAL RELIABILITY AND CUSTOMER SERVICE:

- Hydro One will meet or exceed existing service level metrics, if not then \$100K payment to the County's for community interests, including charities

- OTHER BENEFITS:

- All employees will be eligible for employee volunteer grants of up to \$1,000 per year
- County participation on Regional Advisory Board
- Community access to Power Play Program (funding for up to \$50k per approved project)

Haldimand County Operations



- To incorporate Haldimand into Hydro One operations:
- Existing Caledonia operations centre will be expanded
 - With the size of Haldimand County and reliability objective, establish a satellite operations centre in Dunnville
 - Positions from two Hydro One Operations Centres will be transferred

Activities to Date

- August Signed EOI and NDA to begin Due Diligence - \$60 to \$65M
 - NPV of interest and dividends in range of \$8M to \$34M
 - Standalone business value in range of \$44M to \$54M
 - Rate base (2013 estimate) \$51.2M

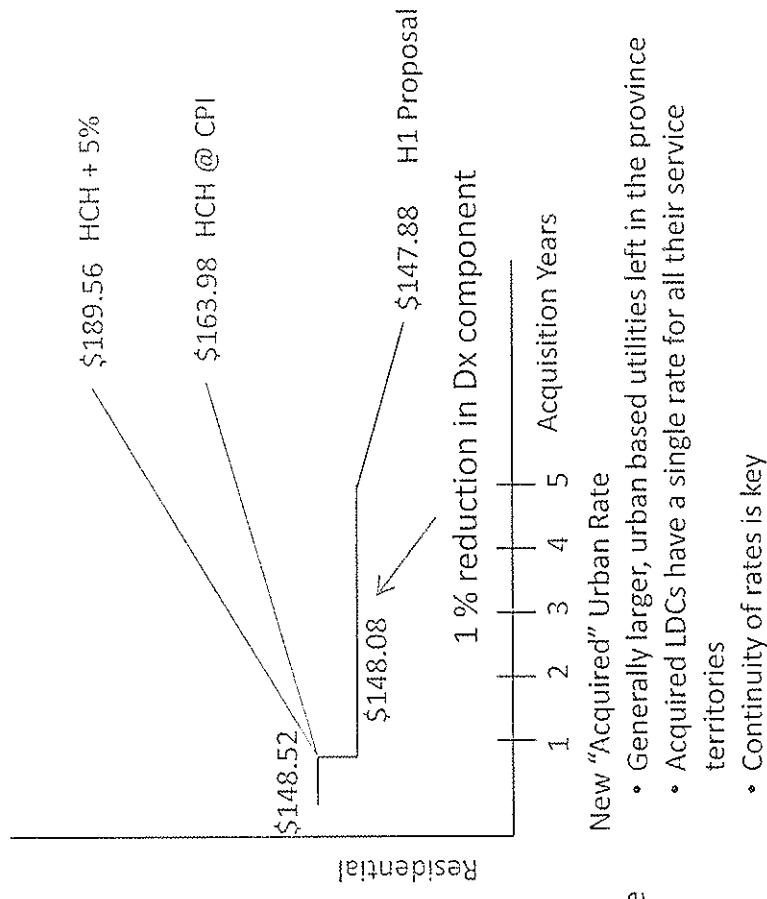
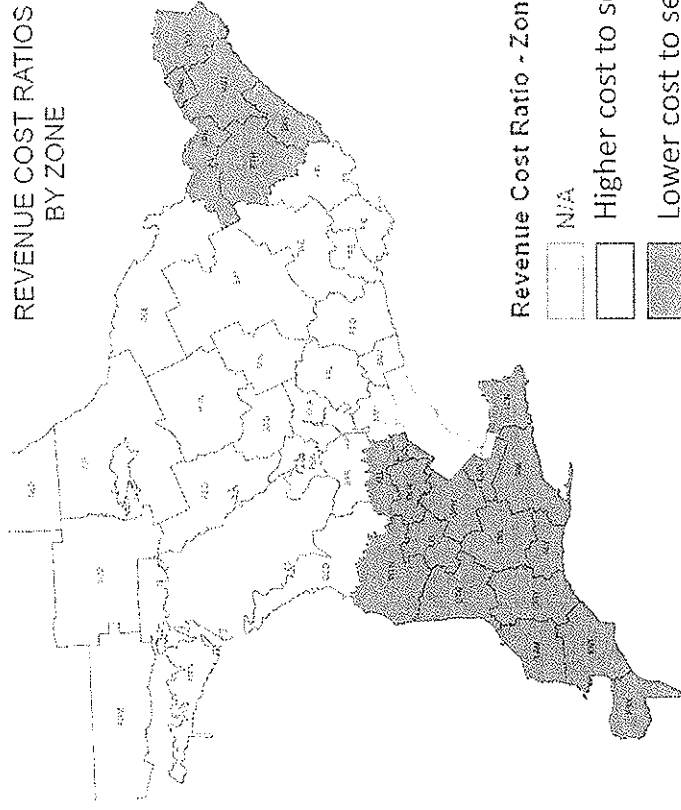
- October Upon completion of preliminary Due Diligence presented revised EOI outlining transaction parameters - \$68M

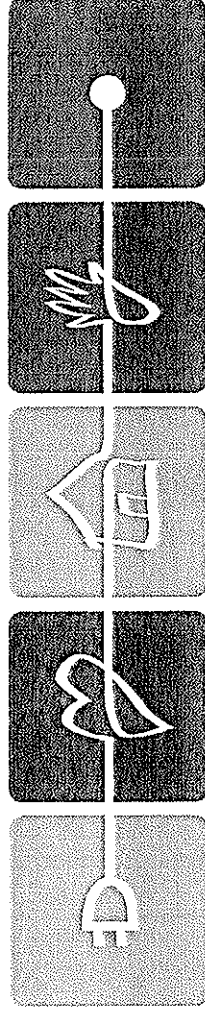
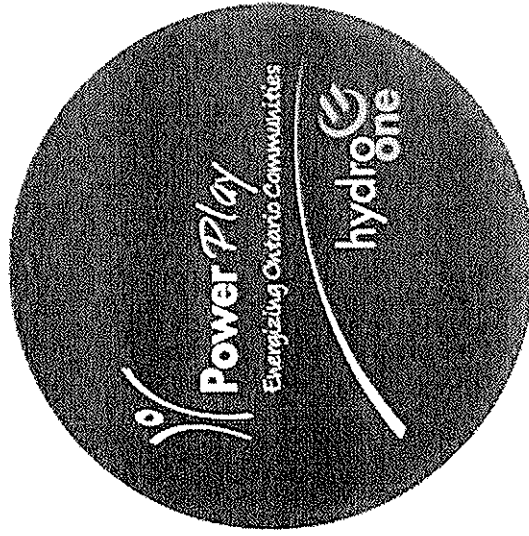
- December Presented Draft Share Purchase Agreement - \$69M

- December Presentation to Council - \$69M

Rates

- First five years - 1% reduction from current electric distribution rates and frozen
- Post year 5, Hydro One will make a rate application for Haldimand customers
 - consistent with Regulatory Rate making principles
 - Promote consolidation going forward by mitigating rate impacts
 - Based on cost to serve, current rates would over recover
 - Hydro One seeking rates reflective of cost
- All future rates will be subject to OEB/public review at that time





connecting with our communities

➤ PowerPlay – up to \$50k per project

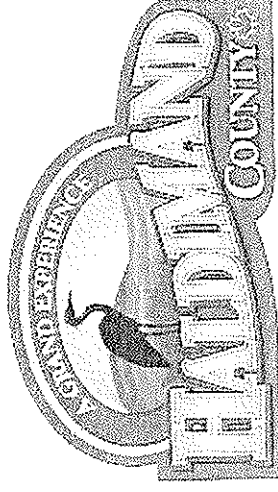
Typical Hydro One funded projects:

- Children's Safety Village (constructed a mini transmission tower for village)
- Soccer Centre (grant for play ground equipment and soccer pitch)
- Playgrounds and Splash pads
- Ski/canoe club developments
- Hockey nets, arena lighting/HVAC/ice making equipment
- Soccer and baseball bleachers
- Municipal Anniversary Celebrations
- Municipal Conference sponsorships
- Local United Way (annual corporate United Way donation – this would increase with more employees)

Potential Timelines and Next Steps

Approvals

- 2013 Q4: Council and Public Meeting
- 2013 Q4: Announcement and Signing



Regulatory

- 2014 Q1: OEB Application
- 2014 Q2: OEB Approval



Ontario Energy Board

Closing

- 2014 Q3: Deal Closing

hydroOne



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