EB-2016-0025

IN THE MATTER OF Sections 86 and 18 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Sched. B, as amended; and

AND IN THE MATTER OF an application for the relief necessary to effect the consolidation of Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, PowerStream Inc. and Hydro One Brampton Networks Inc. into an entity referred to in this Application as "LDC Co", in the manner set out in this Application.

APPLICATION

FILED: APRIL 15, 2016

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TABLE 1 – MAPPING OF APPLICATION TO HANDBOOK FILING REQUIREMENTS

	Filing Requirements	Reference
2.1 The Index	Index	Exhibit A, Tab 1, Schedule 1
2.2 The Application		Exhibit B
2.2.1 Administrative		
	Certification of the Evidence	Exhibit B, Tab 1, Schedule 1
	Details of the authorized representative of the applicant/s, including the name, phone and fax numbers, and email and delivery addresses	Exhibit B, Tab 3, Schedule 1, Attachment 4
	Legal name of the other party or parties to the transaction, if not an applicant	Exhibit B, Tab 3, Schedule 1, Attachment 4
	Details of the authorized representative of the other party or parties to the transaction, including the name, phone and fax numbers, and email and delivery addresses	Exhibit B, Tab 3, Schedule 1, Attachment 4
	Brief description of the nature of the transaction for which approval of the OEB is sought by the applicant or applicants	Exhibit B, Tab 2, Schedule 1
2.2.2 Description of the Business of the Parties to the Transaction		
	Describe the business of each of the parties to the proposed transaction, including each of their electricity sector affiliates engaged in, or providing goods or services to anyone engaged in, the generation, transmission, distribution or retailing of electricity.	Exhibit B, Tab 3, Schedule 2
	Describe the geographic territory served by each of the parties to the proposed transaction, including each of their affiliates, if applicable, noting whether service area boundaries are contiguous or if not the relative distance between service boundaries.	Exhibit B, Tab 3, Schedule 3, Attachments 5-8
	Describe the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.	Exhibit B, Tab 3, Schedule 4
	Describe the proposed geographic service area of each of the parties after completion of the proposed transaction.	Exhibit B, Tab 3, Schedule 5
	Provide a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.	Exhibit B, Tab 3, Schedule 2
	If the proposed transaction involves the consolidation of two or more distributors, please indicate the current net metering thresholds of the utilities involved in the proposed transaction. The OEB will, in the absence of exceptional circumstances, add together the kW threshold amounts allocated to the individual utilities and assign the sum to the new or remaining utility. Applicants must indicate if there are any special circumstances that may warrant the OEB using a different methodology to determine the net metering threshold for the new or remaining utility.	Exhibit B, Tab 3, Schedule 6
2.2.3 Description of the Proposed Transaction		
	Provide a detailed description of the proposed transaction.	Exhibit B, Tab 4, Schedule 1
	Provide a clear statement on the leave being sought by the applicant, referencing the particular section or sections of the Ontario Energy Board Act, 1998.	Exhibit B, Tab 2, Schedule 1
	Provide details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.	Exhibit B, Tab 4, Schedule 2
	Provide all final legal documents to be used to implement the proposed transaction.	Exhibit B, Tab 4, Schedule 3
	Provide a copy of appropriate resolutions by parties such as parent companies, municipal council/s, or any other entities that are required to approve a proposed transaction confirming that all these parties have approved the proposed transaction.	Exhibit B, Tab 4, Schedule 4
2.2.4 Impact of the Proposed Transaction		
Objective 1 – Protect consumers with respect to prices and the adequacy, reliability and quality of electricity service		
	Indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.	Exhibit B, Tab 5, Schedule 1
	Provide a year over year comparative cost structure analysis for the proposed transaction, comparing the costs of the utilities post transaction and in the absence of the transaction.	Exhibit B, Tab 5, Schedule 2
	Provide a comparison of the OM&A cost per customer per year between the consolidating distributors.	Exhibit B, Tab 5, Schedule 3
	Confirm whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.	Exhibit B, Tab 5, Schedule 4
	Describe how the distribution or transmission systems within the service areas will be operated.	Exhibit B, Tab 5, Schedule 5

TABLE 1 – MAPPING OF APPLICATION TO HANDBOOK FILING REQUIREMENTS (CONT'D)

	Filing Requirements	Reference
Objective 2 – Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry		
	Indicate the impact that the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity), identifying the various aspects of utility operations where the applicant expects sustained operational efficiencies (both quantitative and qualitative).	Exhibit B, Tab 6, Schedule 1
	Identify all incremental costs that the parties to the proposed transaction expect to incur which may include incremental transaction costs (e.g. legal, regulatory), incremental merged costs (e.g. employee severances), and incremental on-going costs (e.g. purchase and maintenance of new IT systems). Explain how the consolidated entity intends to finance these costs.	Exhibit B, Tab 6, Schedule 2
	Provide a valuation of any assets or shares that will be transferred in the proposed transaction. Describe how this value was determined.	Exhibit B, Tab 6, Schedule 3
	If the price paid as part of the proposed transaction is more than the book value of the assets of the selling utility, provide details as to why this price will not have an adverse effect on the financial viability of the acquiring utility.	Exhibit B, Tab 6, Schedule 4
	Provide details of the financing of the proposed transaction.	Exhibit B, Tab 6, Schedule 5
	Provide financial statements (including balance sheet, income statement, and cash flow statement) of the parties to the proposed transaction for the past two most recent years.	Exhibit B, Tab 6, Schedule 7; Attachments 13, 14, 16, 17, 19, 20, 21, 22
	Provide pro forma financial statements for each of the parties (or if an amalgamation, the consolidated entity) for the first full year following thecompletion of the proposed transaction.	Exhibit B, Tab 6, Schedule 8, Attachment 23
2.2.5 Rate considerations for consolidation applications		
	Indicate a specific deferred rate rebasing period that has been chosen.	Exhibit B, Tab 7, Schedule 1
	For deferred rebasing periods greater than five years, confirm that the ESM will be as required by the 2015 Report and the Handbook	Exhibit B, Tab 7, Schedule 2
	If the applicant's proposed ESM is different from the ESM set out in the 2015 Report, the applicant must provide evidence to demonstrate the benefit to the customers of the acquired distributor	*not applicable*
2.2.6 Other Related Matters		
	a) Implementation of new or the extension of existing rate riders	Exhibit B, Tab 8, Schedule 1
	b) Transfer of rate order and licence	Exhibit B, Tab 8, Schedule 1
	c) Licence amendment and cancellation	Exhibit B, Tab 8, Schedule 1
	d) Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB	Exhibit B, Tab 8, Schedule 1
	e) Approval to use different accounting standards for financial reporting following the closing of the proposed transaction	Exhibit B, Tab 8, Schedule 1

**Handbook refers to the Handbook to Electricity Distributor and Transmitter Consolidations, January 19, 2016.*

CERTIFICATION OF THE EVIDENCE

The undersigned, the President and CEO of Enersource Corporation, in my capacity as an officer of that corporation and without personal liability, hereby certify, to the best of my knowledge, as at the date of certification, that the evidence in this Application is accurate, consistent and complete.

Peter Gregg, President & CEO

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CERTIFICATION OF THE EVIDENCE

The undersigned, the President and CEO of Horizon Utilities Corporation, in my capacity as an officer of that corporation and without personal liability, hereby certify, to the best of my knowledge, as at the date of certification, that the evidence in this Application is accurate, consistent and complete.

Max A. Cananzi, President & CEO

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CERTIFICATION OF THE EVIDENCE

The undersigned, the President and CEO of PowerStream Incorporated, in my capacity as an officer of that corporation and without personal liability, hereby certify, to the best of my knowledge, as at the date of certification, that the evidence in this Application is accurate, consistent and complete.

Brian Bentz, President & CEO

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APPLICATION

1.0 INTRODUCTION

This is an application ("Application") to the Ontario Energy Board ("OEB" or the "Board") for the relief necessary to effect the amalgamation of Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, PowerStream Inc. (collectively, the "Applicants") and the purchase and subsequent amalgamation of Hydro One Brampton Networks Inc. (collectively, the "Parties"), four local electricity distribution companies ("LDCs"), into a single LDC (referred to as "LDC Co" in this Application) that will serve over 960,000 customers.

This Application is the result of many months of negotiations and agreement among the Applicants and their Shareholders, and is reflective of the terms of the consolidation approved by six Municipalities, one private sector party, and the Province of Ontario (the "Province" or "Government"). With respect to the Government, that approval relates solely to the sale of Hydro One Brampton Networks Inc. ("HOBNI") to LDC Co.

In broad terms, this Application is being made to effect the following:

- The amalgamation of Enersource Hydro Mississauga Inc. ("Enersource"), Horizon Utilities Corporation ("Horizon Utilities"), and PowerStream Inc. ("PowerStream"); and

- The acquisition of HOBNI and its subsequent amalgamation with LDC Co.

The specific items of relief are discussed in Section 3.0 of this schedule, below.

The Application follows the Filing Requirements contained in the Board's January 19, 2016 *Handbook to Electricity Distributor and Transmitter Consolidations* (the "Handbook"). The mapping of the Application's contents to the Handbook's Filing Requirements is provided in Table 1 of Exhibit A, Tab 1, Schedule 2.

The Application adheres to the Board's March 26, 2015 *Report on Rate-Making Associated with Distributor Consolidation* (the "Consolidation Policy") and to the Board's Handbook.

The "No Harm" Test

The Applicants had prime consideration for the "no harm" test used by the OEB in adjudicating Mergers, Acquisitions, Amalgamations and Divestitures ("MAADs") applications made under Section 86 of the OEB Act to ensure that the proposed consolidation would not have an adverse effect relative to the *status quo* of each of the Parties and their customers in keeping with the OEB's statutory objectives. In fact, as demonstrated by this Application, it is the intention of the Applicants that the proposed consolidation provide a material benefit to their customers. The Applicants submit that the proposed consolidation will not have an adverse effect in terms of the factors identified in the Board's objectives in section 1 of the OEB Act. Rather, as can be seen in Exhibit B, Tab 5, Schedule 2 (in which the Applicants have provided a comparison of the cost structure among the Parties, *status quo* versus post consolidation), it is anticipated that customers will benefit from the consolidation. Accordingly, the Applicants submit that the proposed consolidation meets the OEB's "no harm" test.

In particular, as will be seen from the evidence in the Application:

- The proposed transaction will positively impact the customers of the Parties with respect to price and the adequacy, reliability, and quality of electricity service. Over the course of the ten year rebasing deferral period, customers will benefit from distribution rates that are lower than they would have been had the *status quo* of four independent LDCs been maintained;
- LDC Co will continue to promote electricity conservation and demand management;
- LDC Co will continue to facilitate the implementation of a smart grid in Ontario;
- LDC Co will continue to promote the use and generation of electricity from renewable sources and will continue to reinforce the distribution systems throughout its service territories in order to accommodate the connection of renewable energy generation facilities;
- Once the consolidation is completed and the businesses are integrated, LDC Co expects to be compliant with all OEB Codes, Distribution Licences, IESO Market Rules and statutes and regulations;
- The Parties have willingly come together to consolidate Enersource, Horizon Utilities, PowerStream and HOBNI. The transactions demonstrate the benefits contemplated by

voluntary consolidation within the electricity sector in Ontario. Although these transactions will result in significant transaction and transition costs, the Applicants anticipate realizing real cost synergies and operational efficiencies, as well as benefits from economies of scale. The resulting LDC will be the second largest electricity distributor in the Province, based on number of customers; and

- The Board has acknowledged that "consolidation also enables distributors to address challenges in an evolving electricity industry." The proposed consolidation will also promote the objectives of the OEB's *Renewed Regulatory Framework for Electricity Distributors – A Performance Based Approach*.

It is therefore the Applicants' submission that the proposed consolidation meets the Board's "no harm" test.

LDC Profiles

Enersource is an electricity distribution company, regulated by the OEB. It provides electricity to over 201,000 residential, commercial and industrial customers in Mississauga. Enersource is wholly owned by Enersource Corporation ("Enersource Corp."). Enersource Corp. is 90% owned by the City of Mississauga and 10% owned by BPC Energy Corporation ("Borealis" or "BPC"), an indirectly owned subsidiary of the OMERS Administration Corporation, the administrator of the Ontario Municipal Employees Retirement System pension plans and trustee of the pension funds ("OMERS"). Enersource's non-regulated affiliate, Enersource Power Services Inc., designs, constructs, supports, and maintains electrical systems for various utilities and private firms.

Horizon Utilities is an electricity distribution company, regulated by the OEB. It provides electricity to over 242,000 residential, commercial and industrial customers in Hamilton and St. Catharines. It is the wholly owned subsidiary of Horizon Holdings Inc. ("HHI"). HHI is 78.9% owned by Hamilton Utilities Corp. ("HUC") and 21.1% owned by St. Catharines Hydro Inc. ("SCHI"). These two companies are respectively wholly-owned by the City of Hamilton and the City of St. Catharines. Horizon Utilities' non-regulated affiliate, Horizon Energy Solutions Inc. ("HESI"), is a provider of commercial grade metering, solar generation, Conservation and Demand Management ("CDM") services and water billing.

PowerStream is an electricity distribution company, regulated by the OEB. It provides electricity to over 356,000 residential, commercial and industrial customers in Alliston, Aurora, Barrie, Beeton, Bradford, Markham, Penetanguishene, Richmond Hill, Thornton, Tottenham and Vaughan, as well as over 16,000 customers in Collingwood, Stayner, Creemore and Thornbury through its strategic partnership with Collus PowerStream. PowerStream is wholly owned by PowerStream Holdings Inc., which in turn is jointly owned by the municipalities of Barrie (20.5%), Markham (34.2%) and Vaughan (45.3%) through holding companies owned by each of the municipalities. PowerStream holds a 50% ownership of Collus PowerStream Utility Services Corp., a holding company that wholly owns, among other corporations, Collus PowerStream Corp., a licensed electricity distributor serving the Towns of Collingwood, Stayner, Creemore and Thornbury. PS Solar is a separate business unit within PowerStream. Finally, PowerStream's non-regulated affiliate is PowerStream Energy Services Inc. ("PESI"), which was incorporated on July 25, 2013, and is a sub-metering and other energy services business.

HOBNI is an electricity distribution company that is regulated by the OEB. It provides electricity to over 149,000 residential, commercial and industrial customers in Brampton. HOBNI is wholly owned by the Province through the holding company "Brampton Distribution Holdco" Inc.

Corporate charts illustrating the relationship between each of the distributors and its respective affiliates and other non-affiliated members of its corporate family have been included in this Application at Exhibit B, Tab 3, Schedule 2, Figures 6-9.

2.0 OVERVIEW OF APPLICATION

The consolidation will involve a two-part transaction: i) the amalgamation of Enersource, Horizon Utilities, and PowerStream; and ii) the acquisition and amalgamation of HOBNI. These transactions will result in the establishment of the largest municipally-owned LDC in Ontario, serving over 960,000 customers, with a total rate base of approximately $2.5 billion ("B").

Upon approval, the consolidation will be implemented by way of a series of supporting transactions that will culminate in a single distributor carrying on business as a single corporation referred to as "LDC Co" in this Application. The consolidation will involve the amalgamation of Enersource, Horizon Utilities and PowerStream, followed by the acquisition of the shares of HOBNI by LDC Co and the subsequent amalgamation of HOBNI with LDC Co.

Subject to supportive tax rulings sought from the Ministry of Finance (Ontario), the Parties envision a transfer of the distribution business from LDC Co to a Limited Partnership structure (“LDC LP”) in order to attract investment while managing certain taxes imposed under the *Electricity Act, 1998,* such as Transfer Tax and Payments in Lieu of Taxes. The transfer is beyond the scope of the requested relief in this Application. At such time as supportive tax rulings with respect to the partnership are received, LDC Co would make application to the Board for the approval of the transfer of the distribution business of LDC Co to LDC LP.

The unregulated services affiliates of the consolidating LDCs are also being consolidated into a single energy and other services corporation (“ES Co”). That consolidation does not require Board approval and as such is not a part of the Application.

Steps to Consolidation

The consolidation will involve the following seven steps, not all of which require OEB approval.

Step 1(a): Enersource adds a holding company, “Enersource Holdings”, below Enersource Corporation.

Step 1(b): Enersource Corporation transfers all of the shares of Enersource Hydro Mississauga Inc. and Enersource Services Inc. into Enersource Holdings.

Step 2: Enersource Holdings, Horizon Holdings Inc. and PowerStream Holdings Inc. amalgamate to form “Holdco” pursuant to the Merger Participation Agreement. As a result, there are six shareholders in Holdco: Enersource Corporation; Hamilton Utilities Corp.; St. Catharines Hydro Inc.; Vaughan Holdings Inc.; Markham Enterprises Corporation; and Barrie Hydro Holdings Inc.

Step 3: Holdco amalgamates its three regulated LDC subsidiaries, Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, and PowerStream Inc., to form “LDC Co”.

Step 4: LDC Co acquires the shares of HOBNI from Brampton Distribution Holdco Inc.

Step 5: Holdco amalgamates Enersource Services Inc., Enersource Power Services Inc., Enersource Technologies Inc. (currently dormant) and Horizon Energy Solutions Inc. to form “Energy Services Co” (“ES Co”). This transaction does not require Board approval.

Step 6: Articles of Amendment are filed for Horizon Solar Corp., PowerStream Energy Services Inc. and Hydro One Brampton Networks Inc. to change the names of those corporations. These actions do not require Board approval.

- “Horizon Solar Corp.” becomes “[Solar GP]”
- “PowerStream Energy Services Inc.” becomes “[Taxable Services]”
- “Hydro One Brampton Networks Inc.” becomes “[Brampton Hydro]”
- Solar Sunbelt GP’s business name registration is withdrawn and a new business name is registered.

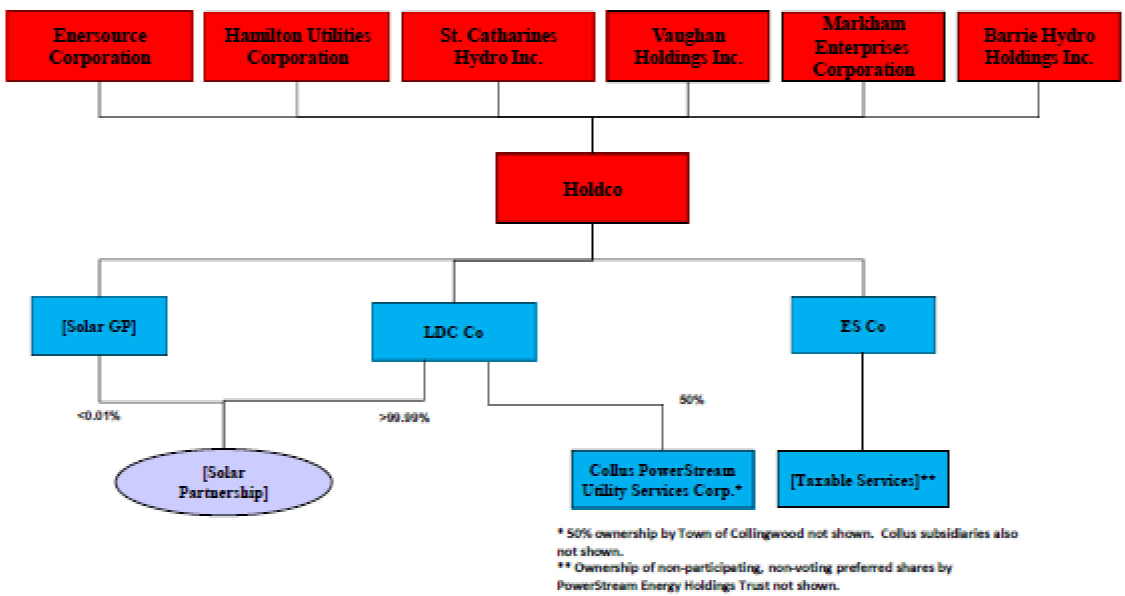
Step 7(a): [Brampton Hydro] will transfer all of its assets to LDC Co in consideration for a promissory note from LDC Co.

Step 7(b): [Brampton Hydro] and LDC Co will amalgamate by way of a short form amalgamation.

The Parties are planning for an October 31, 2016 closing of the amalgamation of Enersource, Horizon Utilities and PowerStream into LDC Co and a November 30, 2016 closing of the HOBNI share acquisition by LDC Co.

For the OEB’s assistance, Figure 1 below illustrates the proposed corporate structure of Holdco, its shareholders and the other members of the corporate family, after completing the steps described above.

Figure 1 - Proposed Corporate Structure



Purchase of HOBNI

The purchase price for HOBNI is $607MM. Subject to post-closing adjustments, LDC Co will provide consideration of $607MM for the shares of HOBNI, in the form of cash and an adjustable note, as discussed in Exhibit B, Tab 4, Schedule 2. The Share Purchase Agreement in respect of the HOBNI shares contemplates the transaction closing to occur on the last business day of the month following the date on which the closing conditions (including obtaining OEB and Competition Bureau approvals) have been satisfied or waived. The purchase price is subject to certain adjustments, as also set out in Exhibit B, Tab 4, Schedule 2.

Related Application for an Electricity Distribution Licence

An application will also be made for an Electricity Distribution Licence that would allow LDC Co to own and operate the distribution systems serving the former Enersource, Horizon Utilities, PowerStream and HOBNI service areas and become the licenced electricity distributor for approximately 960,000 customers.

Other Matters

LDC Co's rebasing will be deferred for a period of ten years following the completion of the consolidation. The Applicants intend for LDC Co to integrate the distribution systems of the predecessor distributors following the completion of the consolidation, and during the rebasing deferral period.

3.0 OEB APPROVALS SOUGHT

The relief requested by the Applicants is the following:

1. LDC acquisitions and transfers of Enersource, Horizon Utilities, PowerStream and HOBNI distribution systems, licences and rate orders to LDC Co:

    (a) leave for Enersource Holdings Inc. to acquire all of the issued and outstanding shares of Enersource pursuant to Section 86(2)(a) of the OEB Act;

    (b) leave for Enersource, Horizon Utilities and PowerStream to amalgamate and continue as a corporation referred to as LDC Co, pursuant to Section 86(1)(c) of the OEB Act;

    (c) leave for LDC Co to acquire all of the issued and outstanding shares of HOBNI pursuant to Section 86(2)(b) of the OEB Act;

    (d) leave for HOBNI to transfer its distribution system to LDC Co pursuant to Section 86(1)(a) of the OEB Act;

(e) leave for LDC Co and HOBNI to amalgamate and continue as LDC Co, pursuant to Section 86(1)(c) of the OEB Act;

(f) leave for Enersource, Horizon Utilities, PowerStream and HOBNI to transfer their distribution licences and rate orders to LDC Co, pursuant to Section 18 of the OEB Act;

(g) leave for LDC Co to acquire the 50% of the shares of Collus PowerStream Utility Services Corp. currently owned by PowerStream, pursuant to Section 86(2)(a) of the OEB Act.;

(h) the issuance of a new electricity distribution licence for LDC Co under Section 60 of the OEB Act that will come into existence on the completion of the transfers of the distribution-related assets of the former Enersource, Horizon Utilities, PowerStream and HOBNI to LDC Co, to be followed immediately by the cancellation of the distribution licences of Enersource, Horizon Utilities, PowerStream and HOBNI. The licence application is being filed separately from the current Application.

At this time, the Applicants intend to maintain all distribution activities, including applicable licences and rate orders in LDC Co.

2. Deferred Rebasing:

a) The Applicants confirm that they have chosen to defer LDC Co's rebasing for ten years from the date of closing the last of the proposed transactions, consistent with the Board's March 26, 2015 Report on Rate-Making Associated with Distributor Consolidation (the "Consolidation Policy") and with the Handbook.

b) The Applicants have relied upon the guidance in the Consolidation Policy and in the Handbook in the structuring of the transaction. The Handbook states that "Consolidating entities that propose to defer rebasing beyond five years, must implement an [Earnings Sharing Mechanism ("ESM")] for the period beyond five years." (Handbook, p.16)

c) The ESM proposed by the Applicants for years six to ten of the rebasing deferral period in this Application is consistent with the Consolidation Policy which states that the ESM:

> *"would be implemented if the consolidated entity's ROE was greater than 300 bps above the allowed ROE as set out under the incentive regulation policy. The ESM will be based on a 50:50 sharing of excess earnings with consumers."* (Consolidation Policy, p. 12)

d) The regulatory net income will be calculated, for the purpose of earnings sharing, in the same manner as net income for regulatory purposes under the Board's Reporting and Record Keeping Requirements ("RRRs"). The Applicants expect that the computation of the ROE will exclude revenue and expenses that are not otherwise included for regulatory purposes.

Pursuant to the Handbook, issues related to rate making for LDC Co's service areas, including the treatment of any ESM, Capital Variance and/or Efficiency Adjustments, are matters for future rate applications and are not in scope for this Application, subject to the comments below regarding the treatment of existing rate orders and rate riders.

3. Post-Closing Distribution Rate Issues:

a) As identified above, the Applicants are requesting that the rate orders of the predecessor distributors be transferred to LDC Co following the completion of the consolidation. Each of Enersource, Horizon Utilities, PowerStream and HOBNI has a rate order that contains a number of rate riders established in order to dispose of balances in specified deferral and variance accounts. It is anticipated that each of the predecessor utility 2016 rate orders, including PowerStream's 2016-2020 Custom Incentive Regulation ("IR") rate order, will contain similar rate riders. Certain riders will expire on dates determined in the Order(s) of the Board by which the riders were established. Others will be in place until the applicable distributor's next rebasing;

b) The Applicants recognize that in some cases, allowing a rate rider to remain in place for ten years will create a situation in which a distributor has recovered or paid out (as applicable) an amount greater than that in respect of which the rate rider was established, and that the OEB may have to limit the durations of certain riders. Specifically, resulting from its 2013 Cost of Service Application (EB-2012-0033), Enersource has an adjustment that contains an OEB-approved reduction to revenue requirement for International Financial Reporting Standards-Canadian Generally Accepted Accounting Principles ("IFRS-CGAAP") Transitional Property Plant and Equipment ("PP&E") Amounts, calculated based on a four year normal Cost of Service ("COS") rate cycle (2013-2016). This adjustment should not continue beyond 2016. Unlike approved rate riders, this is an annual reduction to revenue requirement whereby a variance account was not established to track any over/under refund. The Applicants provide in Figures 2-5 below their 2016 OEB Approved (Enersource, Horizon Utilities and HOBNI) and proposed (PowerStream) rate riders.

Figure 2 – 2016 OEB Approved Enersource Rate Riders:

Enersource Hydro Mississauga Inc.

Schedule of Distribution Rate Riders for May 1, 2016

			May 1, 2016 Rates
Customer Class	Item Description	Unit	Rate $
Residential			
	Smart Metering Entity Charge - in effect until October 31, 2018	per month	0.79
	Rate Rider for Application of Tax Change (2015) – effective until Dec 31, 2016	per month	0.01
	Foregone Revenue - Base Distribution	per month	0.06
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Fixed)	per month	0.60
	Dist Vol Rate - DVA (2014) until Dec 31, 2016	per kWh	0.0003
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016	per kWh	0.0017
General Service Less than 50 kW			
	Smart Metering Entity Charge - in effect until October 31, 2018	per month	0.79
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Fixed)	per month	1.10
	Foregone Revenue - Base Distribution	per kWh	0.0002
	Dist Vol Rate - DVA (2014) until Dec 31, 2016	per kWh	0.0003
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Volumetric)	per kWh	0.0003
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016	per kWh	0.0028
Unmetered Scattered Load			
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Fixed)	per month	0.23
	Foregone Revenue - Base Distribution	per kWh	0.0003
	Dist Vol Rate - DVA (2014) until Dec 31, 2016	per kWh	0.0003
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Volumetric)	per kWh	0.0004
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016	per kWh	0.0023
General Service 50 to 499 kW			
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Fixed)	per month	1.93
	Foregone Revenue - Base Distribution	per kW	0.0317
	Dist Vol Rate - DVA (2014) until Dec 31, 2016	per kW	0.6544
	Dist Vol Rate - DVA (2014) until Dec 31, 2016 (Applicable only for Non-WMP)	per kW	-0.5340
	Rate Rider for Application of Tax Change (2015) – effective until Dec 31, 2016	per kW	0.0017
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Volumetric)	per kW	0.1163
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016 (Non Interval Metered)	per kW	1.0544
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016 (Interval Metered)	per kW	0.7080
General Service 500 to 4999 kW			
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Fixed)	per month	44.00
	Foregone Revenue - Base Distribution	per kW	0.0263
	Dist Vol Rate - DVA (2014) until Dec 31, 2016	per kW	0.8296
	Dist Vol Rate - DVA (2014) until Dec 31, 2016 (Applicable only for Non-WMP)	per kW	-0.6763
	Rate Rider for Application of Tax Change (2015) – effective until Dec 31, 2016	per kW	0.0015
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Volumetric)	per kW	0.0598
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016 (Non Interval Metered)	per kW	1.7349
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016 (Interval Metered)	per kW	1.3289
Large Use			
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Fixed)	per month	346.90
	Foregone Revenue - Base Distribution	per kW	0.0222
	Dist Vol Rate - DVA (2014) until Dec 31, 2016	per kW	0.1924
	Rate Rider for Application of Tax Change (2015) – effective until Dec 31, 2016	per kW	0.0012
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Volumetric)	per kW	0.0743
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016 (Class A Customers)	per kW	-0.2348
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016 (Class B Customers)	per kW	1.4069
Street Lighting			
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Fixed)	per month	0.04
	Foregone Revenue - Base Distribution	per kW	0.1407
	Dist Vol Rate - DVA (2014) until Dec 31, 2016	per kW	0.1766
	Rate Rider for Application of Tax Change (2015) – effective until Dec 31, 2016	per kW	0.0052
	ICM Rate Rider - in effect until the effective date of the next cost of service-based rate order (Volumetric)	per kW	0.2905
	GA Dist Vol Rate - Non RPP (2014) until Dec 31, 2016	per kW	1.2104

Figure 3 – 2016 OEB Approved Horizon Utilities Rate Riders:

Horizon Utilities Corporation			
Schedule of Distribution Rate Riders January 1, 2016			
			OEB Approved January 1, 2016 Rates
Customer Class	Item Description	Unit	Rate $
Residential			
	Rate Rider for Smart Meter Entity Charge - effective until October 31, 2018	per month	0.79
	Rate Rider for Recovery of Stranded Meters - effective until December 31, 2017	per month	0.79
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016	per kWh	0.0003
	Rate Rider for Disposition of Global Adjustment Account (2016) - effective until December 31, 2016 Applicable only for Non-RPP Class B Consumers	per kWh	0.0037
General Service Less than 50 kW			
	Rate Rider for Smart Meter Entity Charge - effective until October 31, 2018	per month	0.79
	Rate Rider for Recovery of Stranded Meters - effective until December 31, 2017	per month	2.42
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016	per kWh	0.0003
	Rate Rider for Disposition of Global Adjustment Account (2016) - effective until December 31, 2016 Applicable only for Non-RPP Class B Consumers	per kWh	0.0037
Unmetered Scattered Load			
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016	per kWh	0.0003
	Rate Rider for Disposition of Global Adjustment Account (2016) - effective until December 31, 2016 Applicable only for Non-RPP Class B Consumers	per kWh	0.0037
General Service 50 to 4999 kW			
	Rate Rider for Recovery of Stranded Meters - effective until December 31, 2017	per month	3.50
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016	per kWh	0.4324
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016 Not applicable for Wholesale Market Participants	per kWh	(0.3089)
	Rate Rider for Disposition of Global Adjustment Account (2016) - effective until December 31, 2016 Applicable only for Non-RPP Class B Consumers	per kWh	1.3366
Large Use			
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016	per kWh	0.5907
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016 Not applicable for Wholesale Market Participants	per kWh	(0.4495)
	Rate Rider for Disposition of Global Adjustment Account (2016) - effective until December 31, 2016 Applicable for Customers who were Non-RPP Class B Consumers from January 1, 2014 - December 31, 2014	per kWh	2.0559
Large Use with Dedicated Assets			
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016	per kWh	0.6634
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016 Not applicable for Wholesale Market Participants	per kWh	(0.4000)
Sentinel Lighting			
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016	per kW	0.1197
	Rate Rider for Disposition of Global Adjustment Account (2016) - effective until December 31, 2016 Applicable only for Non-RPP Class B Consumers	per kW	1.3019
Street Lighting			
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2016	per kW	0.1220
	Rate Rider for Disposition of Global Adjustment Account (2016) - effective until December 31, 2016 Applicable only for Non-RPP Class B Consumers	per kW	1.3268

Figure 4 – 2016 Proposed PowerStream Rate Riders:

PowerStream Inc.

Schedule of Distribution Rate Riders Proposed for January 1, 2016

Customer Class	Item Description	Unit	Proposed January 1, 2016 Rates Rate $
Residential			
	Rate Rider for Recovery of CGAAP/CWIP Differential - effective until December 31, 2016	per month	0.20
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	per month	0.79
	Rate Rider for Disposition of Global Adjustment Sub-Account (2016) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0011
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2017	per month	0.0002
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until December 31 2016	per kWh	-0.0001
	Rate Rider for Recovery of Stranded Meter Assets (2016) - effective until December 31, 2016	per kWh	0.0001
	Rate Rider for Recovery of Account 1575 - effective until December 31, 2016	per kWh	-0.0005
General Service Less than 50 kW			
	Rate Rider for Recovery of CGAAP/CWIP Differential - effective until December 31, 2016	per month	0.55
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	per month	0.79
	Rate Rider for Disposition of Global Adjustment Sub-Account (2016) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0011
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2017	per kWh	0.0002
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until December 31 2016	per kWh	0.0001
	Rate Rider for Recovery of Stranded Meter Assets (2016) - effective until December 31, 2016	per kWh	0.0002
	Rate Rider for Recovery of Account 1575 - effective until December 31, 2016	per kWh	-0.0003
Unmetered Scattered Load			
	Rate Rider for Recovery of CGAAP/CWIP Differential - effective until December 31, 2016	per month	0.11
	Rate Rider for Disposition of Global Adjustment Sub-Account (2016) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0011
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2017	per kWh	0.0002
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until December 31 2016	per kWh	-0.0002
	Rate Rider for Recovery of Account 1575 - effective until December 31, 2016	per kWh	-0.0005
General Service 50 to 4999 kW			
	Rate Rider for Recovery of CGAAP/CWIP Differential - effective until December 31, 2016	per month	6.99
	Rate Rider for Disposition of Global Adjustment Sub-Account (2016) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kW	0.4262
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2017	per kW	0.0321
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until December 31 2016	per kW	-0.0126
	Rate Rider for Recovery of Account 1575 - effective until December 31, 2016	per kW	-0.0584
Large Use >5,000kW			
	Rate Rider for Recovery of CGAAP/CWIP Differential - effective until December 31, 2016	per month	104.59
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2017	per kW	0.0168
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until December 31 2016	per kW	-0.0353
	Rate Rider for Recovery of Account 1575 - effective until December 31, 2016	per kW	-0.0345
Sentinel Lighting			
	Rate Rider for Recovery of CGAAP/CWIP Differential - effective until December 31, 2016	per month	0.09
	Rate Rider for Disposition of Global Adjustment Sub-Account (2016) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kW	0.4411
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2017	per kW	0.0212
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until December 31 2016	per kW	-0.1661
	Rate Rider for Recovery of Account 1575 - effective until December 31, 2016	per kW	-0.2446
Street Lighting			
	Rate Rider for Recovery of CGAAP/CWIP Differential - effective until December 31, 2016	per month	1.26
	Rate Rider for Disposition of Global Adjustment Sub-Account (2016) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kW	0.0407
	Rate Rider for Disposition of Deferral/Variance Account (2016) - effective until December 31, 2017	per kW	-0.2386
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until December 31 2016	per kW	-0.1442
	Rate Rider for Recovery of Account 1575 - effective until December 31, 2016	per kW	-0.2429

Figure 5 – 2016 OEB Approved HOBNI Rate Riders:

Hydro One Brampton Networks Inc.
Schedule of Rate Riders in Effect for January 1, 2016

Service Classification	Item Description	Unit	Rate Rider Amount
RESIDENTIAL SERVICE CLASSIFICATION			
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	Per Month	$ 0.79
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	$/kWh	$ 0.0005
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION			
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	Per Month	$ 0.79
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	$/kWh	$ 0.0005
GENERAL SERVICE 50 TO 699 KW SERVICE CLASSIFICATION			
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	$/kW	$ 0.1771
GENERAL SERVICE 700 TO 4,999 KW SERVICE CLASSIFICATION			
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	$/kW	$ 0.2029
LARGE USE SERVICE CLASSIFICATION			
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	$/kW	$ 0.2634
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION			
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	$/kWh	$ 0.0005
STREET LIGHTING SERVICE CLASSIFICATION			
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	$/kW	$ 0.1640
DISTRIBUTED GENERATION [DGEN] SERVICE CLASSIFICATION			
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	$/kWh	$ 0.0005

The Applicants are requesting approval to continue to track costs to the regulatory asset accounts currently approved by the Board for each of Enersource, Horizon Utilities, PowerStream and HOBNI and to seek disposition of their balances at a future date.

For the Board's information, each of Enersource, Horizon Utilities, PowerStream and HOBNI has transitioned to IFRS for financial accounting purposes, and LDC Co will also be using IFRS.

Notices pursuant to Sections 80 and 81 of the OEB Act:

Sections 80 and 81 of the OEB Act provide as follows:

Prohibition, generation by transmitters or distributors

80. No transmitter or distributor or affiliate of a transmitter or distributor shall acquire an interest in a generation facility in Ontario, construct a generation facility in Ontario or purchase shares of a corporation that owns a generation facility in Ontario unless it has first given notice of its proposal to do so to the Board and the Board,

(a) has not issued a notice of review of the proposal within 60 days of the filing of the notice; or
(b) has approved the proposal under section 82.

Prohibition, transmission or distribution by generators

81. No generator or affiliate of a generator shall acquire an interest in a transmission or distribution system in Ontario, construct a transmission or distribution system in Ontario or purchase shares of a corporation that owns a transmission or distribution system in Ontario unless it has first given notice of its proposal to do so to the Board and the Board,

(a) has not issued a notice of review of the proposal within 60 days of the filing of the notice; or
(b) has approved the proposal under section 82.

Horizon Utilities and PowerStream are involved in generation activities; an appropriate Notice will be filed with the Board concurrently with this Application.

4.0 FORM OF HEARING

Under the Board's *Rules of Practice and Procedure*, the Board may hold an oral, electronic or written hearing. It is not uncommon for the Board to hold written hearings. With respect to MAADs applications, the Board has recently held a written hearing for the MAADs application involving Cambridge and North Dumfries Hydro Inc. and Brant County Power Inc. (EB-2014-0217/EB-2014-0223). The Applicants hereby request that this Application be heard by way of a written hearing rather than an oral hearing for the following prime reasons.

Unlike rate applications, the Board does not need to determine rates in the case of a MAADs application. The test in assessing a MAADs Application is the "no harm" test. This is largely a matter for submissions on the written evidence adduced in the Application and to be adduced in the interrogatory process. There is little, if any, probative value in holding an oral hearing in a MAADs case in general; in the instant case in particular, the Application follows precisely the Board's new filing requirements and policies. Of note, there are no special rate implications that arise from the proposed transaction by way of rate reductions or increases.

The Applicants are fully supportive of a discovery process that ensures that all stakeholders have the opportunity to understand the transaction before the Board. One recommendation would be for the Board to hold a Presentation Day at the outset of the proceeding to provide an overview of the Application.

ADMINISTRATIVE

Identification of the Parties

Please see Attachment 4 which sets out the following information, as provided in Section 2.2.1 of the OEB's Filing Requirements for Consolidation Applications:

- Legal name of the Applicants
- Details of the authorized representatives of the Applicants, including their names, phone and fax numbers, as well as email and delivery addresses
- Legal name of the other parties to the transaction
- Details of the authorized representative of the other parties to the transaction, including the name, phone and fax numbers, and email and delivery addresses.

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DESCRIPTION OF THE BUSINESS OF THE PARTIES TO THE TRANSACTION

This schedule provides a detailed description of each of the Parties to the transaction including a discussion of the electricity distribution operations and the activities of their affiliates.

Enersource Hydro Mississauga Inc.

Enersource Hydro Mississauga Inc. (“Enersource”) owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power in the City of Mississauga. Its service territory is specified in Distribution Licence ED-2003-0017, a copy of which is available on the Board’s website. Enersource serves approximately 201,000 customers.

Enersource is, at the date of this Application, a wholly-owned subsidiary of Enersource Corporation, a holding company, itself owned by the City of Mississauga (90%) and BPC Energy Corporation (10%). BPC is an indirectly owned subsidiary of OMERS Administration Corporation, the administrator of the Ontario Municipal Employees Retirement System (“OMERS”).

- **Enersource Affiliates**

Enersource Services Inc.

Enersource Services Inc. is a wholly-owned, non-regulated subsidiary of Enersource Corporation. It is the parent company of Enersource Power Services Inc. and Enersource Technologies Inc.

Enersource Power Services Inc.

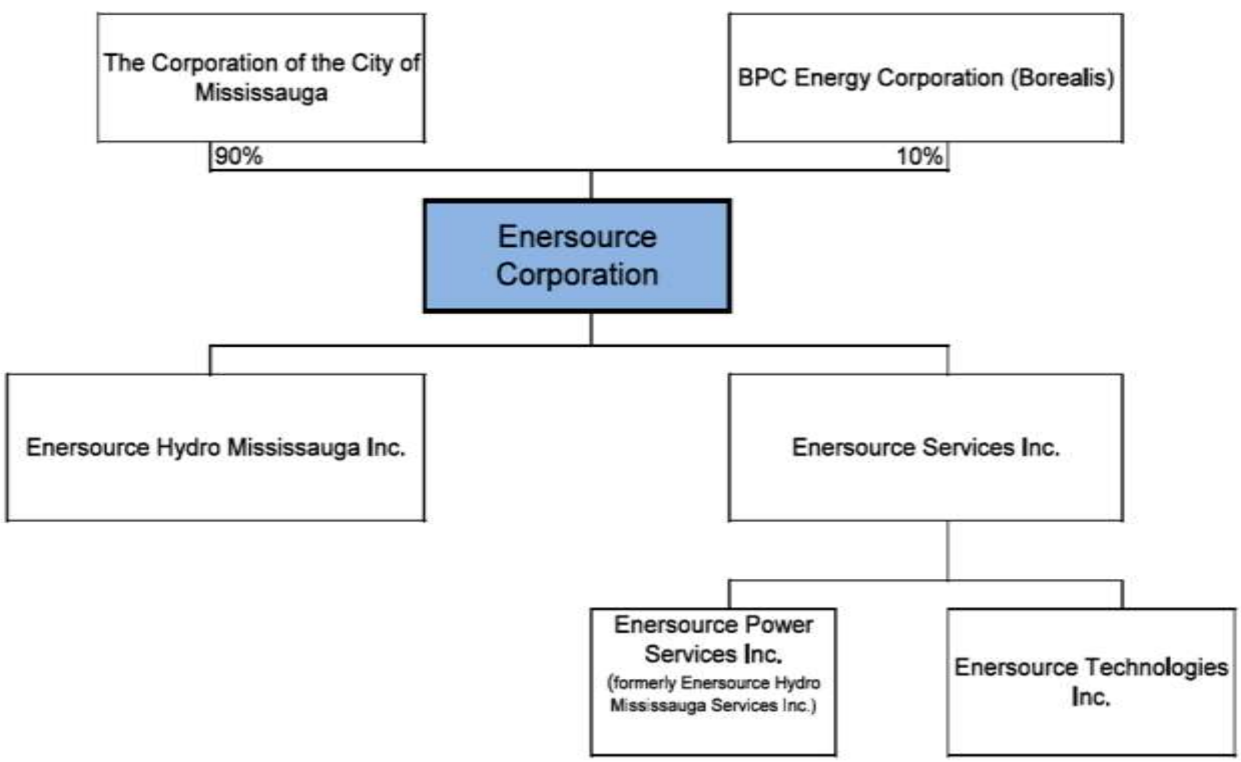
Enersource Power Services Inc. (“EPS”) specializes in street lighting, high voltage design, specification, procurement, construction, maintenance, operation and management services for local governments, airports, and academic facilities with private electrical infrastructure facilities. EPS provides high voltage infrastructure design, installation and maintenance for Canada’s largest airport, Toronto Pearson International Airport, and is currently completing Light Emitting Diode (“LED”) street lighting conversion initiatives in the cities of Mississauga, Hamilton, Windsor and St. Catharines.

Enersource Technologies Inc.

Enersource Technologies Inc. is a dormant company with no assets.

Figure 6 below shows the corporate chart for Enersource and its affiliates.

Figure 6 – Enersource Corporate Chart



Horizon Utilities Corporation

Horizon Utilities Corporation ("Horizon Utilities") owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power in the cities of Hamilton and St. Catharines. Its service territory is specified in Distribution

Licence ED-2006-0031, a copy of which is available on the Board's website. Horizon Utilities serves approximately 242,000 customers.

Horizon Utilities is, at the date of this Application, a wholly-owned subsidiary of Horizon Holdings Inc., a holding company, itself owned by Hamilton Utilities Corporation (78.9%) and St. Catharines Hydro Inc. (21.1%). Hamilton Utilities Corporation is a wholly-owned subsidiary of the City of Hamilton, and St. Catharines Hydro Inc. is a wholly-owned subsidiary of the City of St. Catharines.

- **Horizon Utilities Affiliates**

Horizon Energy Services Inc.

Horizon Energy Services Inc. provides non-regulated energy services; the scope of which presently comprises sales and marketing services, meter services, streetlight maintenance, and conservation and demand management services.

Horizon Solar Corporation

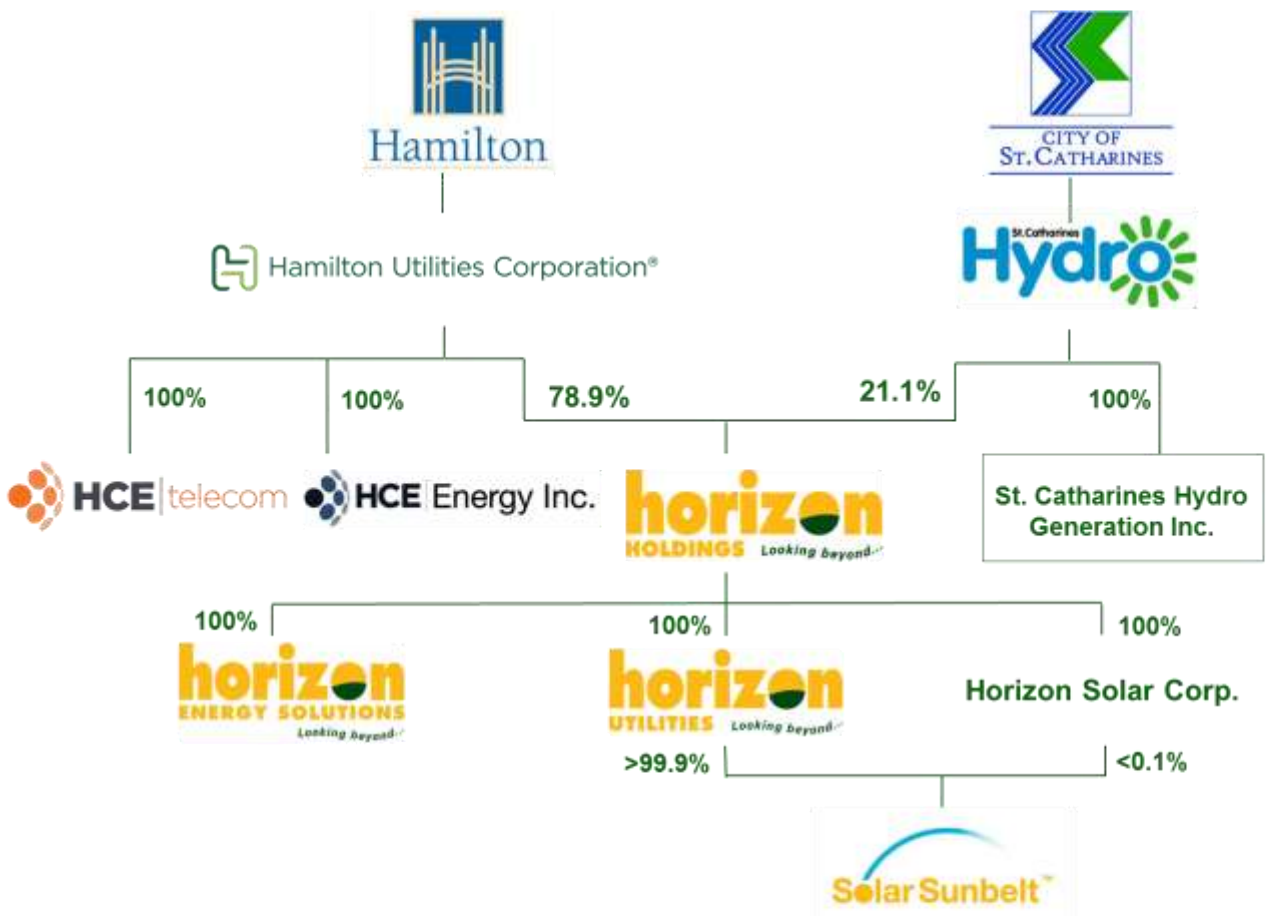
Horizon Solar Corporation is an investment holding company with 0.0025% ownership interest in Solar Sunbelt General Partnership.

Solar Sunbelt GP

Solar Sunbelt GP was established to undertake a solar generation business to develop, construct, own, finance and operate rooftop solar photovoltaic generation equipment ("Solar PV Property"). The electricity generated by the Solar PV Property is sold to the Independent Electricity System Operator ("IESO") under its Feed-in-Tariff long-term power purchase agreements. Horizon Utilities Corporation is the managing partner of the Solar Sunbelt General Partnership.

Figure 7 below shows the corporate chart for Horizon Utilities and its affiliates.

Figure 7 – Horizon Utilities Corporate Chart



PowerStream Inc.

PowerStream Inc. ("PowerStream") owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power in the municipalities of Alliston, Aurora, Barrie, Beeton, Bradford, Markham, Penetanguishene, Richmond Hill, Thornton, Tottenham and Vaughan, as well as Collingwood, Stayner, Creemore and Thornbury through its strategic partnership with Collus PowerStream. Its service territory is specified in Distribution Licence ED-2004-0420, a copy of which is available on the Board's website. PowerStream serves approximately 356,000 customers.

PowerStream owns a 50% interest in Collus PowerStream Utility Services Corp., a holding company that wholly owns, among other corporations, Collus PowerStream Corp., the licensed electricity distributor that owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power and energy in the Town of Collingwood. Collus PowerStream's service territory is specified in Distribution Licence ED-2002-0518, a copy of which is available on the Board's website.

PowerStream is, at the date of this Application, a wholly-owned subsidiary of PowerStream Holdings Inc., a holding company, itself owned by Barrie Hydro Holdings Inc. (20.5%), Markham Enterprises Corporation (34.2%), and Vaughan Holdings Inc. (45.3%). Barrie Hydro Holdings Inc. is a wholly owned subsidiary of the City of Barrie; Markham Enterprises Corporation is a wholly-owned subsidiary of the City of Markham; and Vaughan Holdings Inc. is a wholly-owned subsidiary of the City of Vaughan. None of the municipalities or Barrie Hydro Holdings Inc., Markham Enterprises Corporation or Vaughan Holdings Inc. is an affiliate of PowerStream, but they are included here as they are members of the broader PowerStream corporate family.

PS Solar is a separate business unit within PowerStream that carries on solar generation activities.

- **PowerStream Affiliates**

PowerStream Energy Services Inc.

PowerStream Energy Services Inc. (PESI) is a wholly-owned unregulated subsidiary of PowerStream Holdings Inc. that provides unit sub-metering services to condominium owners within the Province of Ontario.

PowerStream Energy Holdings Trust

PowerStream Energy Holdings Trust, a holding company, owns non-cumulative preferred shares of PowerStream Energy Services Inc. These shares have been reclassified as part of financial liabilities as they have no voting rights attached to them, no participation upon liquidation, dissolution or winding down of the subsidiary, and are not entitled to receive dividends.

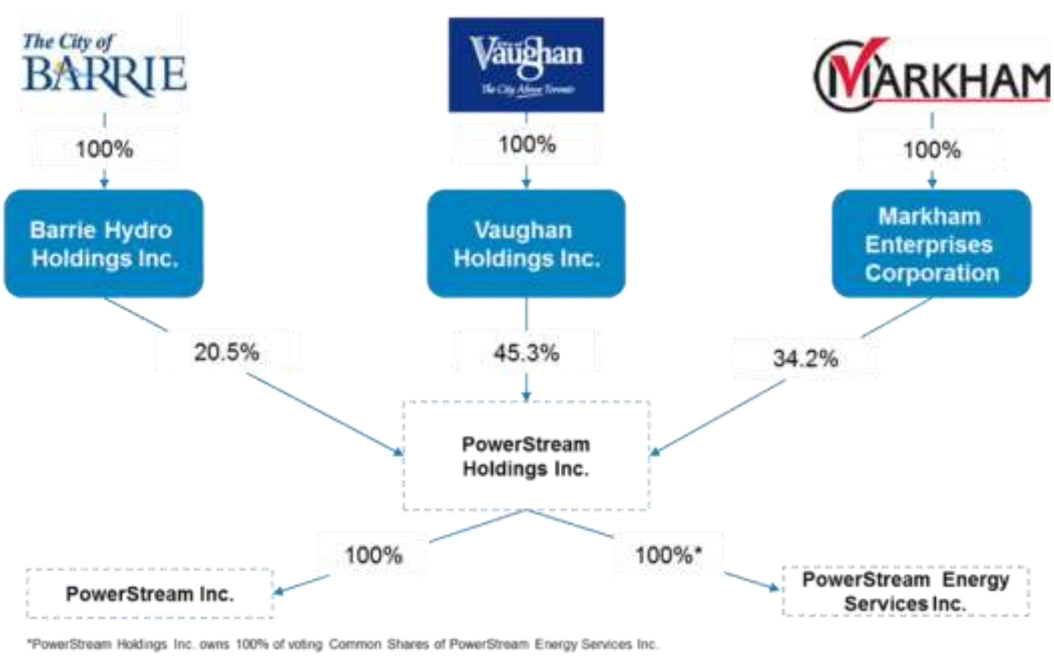
- **Other Components of PowerStream**

Collus PowerStream Utility Services Corp.

As noted previously, PowerStream owns a 50% interest in Collus PowerStream Utility Services Corp., a holding company that wholly owns, among other corporations, Collus PowerStream Corp., a licensed electricity distributor serving the Town of Collingwood, Stayner, Creemore and Thornbury. The other 50% of Collus PowerStream Utility Services Corp. is owned by the Town of Collingwood. The other corporations owned by Collus PowerStream Utility Services Corp. are Collus PowerStream Energy Corp, a non-operating retail company that was established during the corporatization of the public utilities and Collus PowerStream Solutions Corp., which provides supervisory, operational, engineering, finance and administrative services. These corporations are not affiliates of PowerStream, but are included here as they are members of the broader PowerStream corporate family.

Figure 8 below provides the corporate chart for PowerStream and its affiliates.

Figure 8 – PowerStream Corporate Chart



Hydro One Brampton Networks Inc.

HOBNI owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electricity in the City of Brampton. Its service territory is specified in Distribution Licence ED-2003-0038, a copy of which is available on the Board's website. HOBNI serves approximately 149,000 customers.

HOBNI is, at the date of this Application, a wholly-owned subsidiary of Brampton Distribution Holdco Inc., which is 100% owned by the Province.

- **HOBNI Affiliates**

The following describes the electricity distribution affiliates of HOBNI.

Hydro One Networks Inc. ("Hydro One")

Hydro One is the largest transmitter and distributor of electricity in Ontario. Hydro One's distribution company serves approximately 1.2MM customers. Customers include local distribution companies, customers with load exceeding 5 MW, and rural and urban customers. Hydro One owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power and energy within its service territory, as specified in Distribution Licence ED-2003-0043, a copy of which is available on the Board's website. Hydro One also has a regulated transmission business owning 97% of transmission in Ontario with almost 30,000 km of high-voltage transmission lines.

Haldimand County Hydro Inc.

Haldimand County Hydro Inc. owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power and energy for approximately 21,323 customers in the municipal boundary of Haldimand County as specified in Distribution Licence ED-2002-0539, a copy of which is available on the OEB's website. Hydro One acquired all issued and outstanding shares of Haldimand County Utilities Inc., as approved by the OEB in EB-2014-0244.

Woodstock Hydro Services Inc.

Woodstock Hydro Services Inc. owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power and energy for approximately 15,745 customers in both urban and rural areas in the City of Woodstock as specified in Distribution Licence ED-2003-0011, a copy of which is available on the OEB's website. Hydro One acquired all issued and outstanding shares of Woodstock Hydro Holdings Inc., as approved by the OEB in EB-2014-0213.

Hydro One Remote Communities Inc.

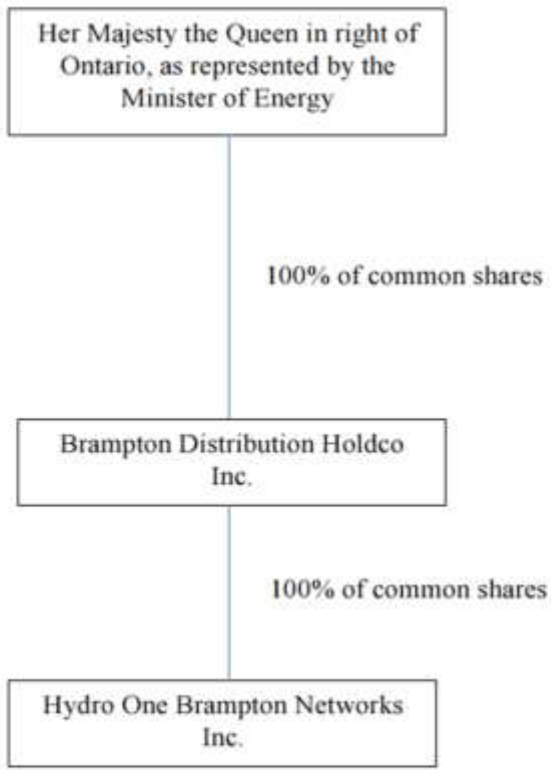
Hydro One Remote Communities Inc. operates a small, regulated generation and distribution system serving remote communities across Northern Ontario that are not connected to Ontario's electricity grid, as specified in Distribution Licence ED-2003-0037, a copy of which is available on the OEB's website.

B2M Limited Partnership

B2M Limited Partnership is Hydro One's partnership with the Saugeen Ojibway Nation with respect to the Bruce-to-Milton transmission line. B2M Limited Partnership owns the high-voltage transmission lines and related equipment, such as the steel support structures, conductors and foundations, while Hydro One owns the transmission stations that connect to the lines. Hydro One maintains and operates the Bruce-to-Milton line. It also owns the general partner of B2M Limited Partnership, and has a 66% economic interest in the partnership.

Figure 9 below shows the corporate chart for HOBNI and its shareholder.

Figure 9 – HOBNI Corporate Chart



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GEOGRAPHIC TERRITORY SERVED BY THE PARTIES TO THE TRANSACTION

The geographic territory for each of the Parties is described in detail in the above referenced Distribution Licences. Maps of each of the four service areas are provided in a series of attachments as follows:

Attachment 5 – Enersource Map of Service Area
Attachment 6 – Horizon Utilities Map of Service Area
Attachment 7 – PowerStream Map of Service Area
Attachment 8 – HOBNI Map of Service Area

The communities of Markham, Aurora, Richmond Hill, Vaughan, Brampton and Mississauga are contiguous. The Hamilton border (at Highway 5 in Waterdown) is 22 km from the Mississauga border (at Highway 5 and 9th Line).

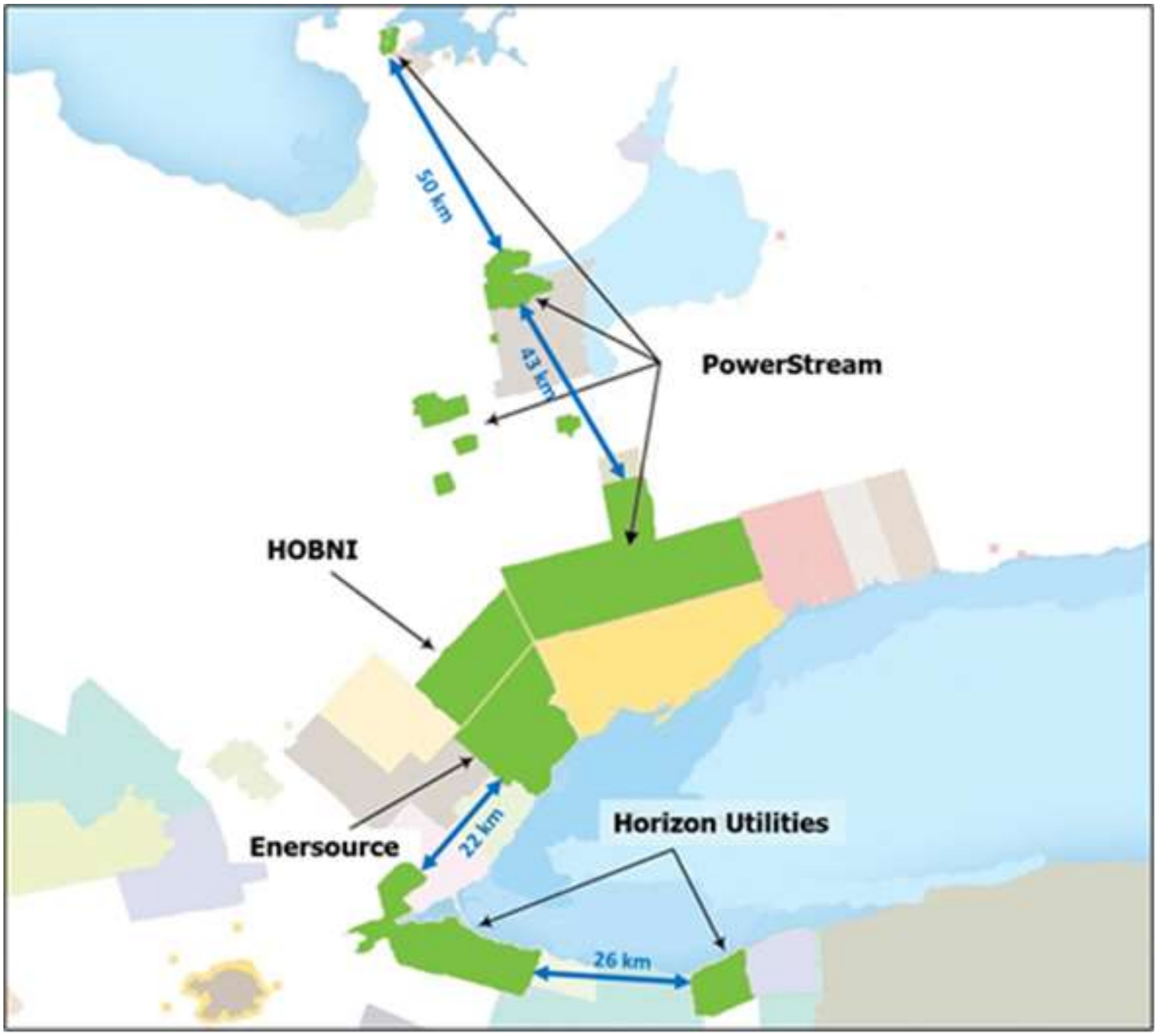
Horizon Utilities provides distribution services in the cities of Hamilton and St. Catharines. The communities are 26 km apart from border to border, and while not contiguous, they have been effectively served by Horizon Utilities since 2005.

Among the communities served by PowerStream, Barrie and Aurora are 43 km apart border to border, and Barrie and Penetanguishene are 50 km apart, and thus these communities are not contiguous. Similarly, Alliston, Beeton, Bradford, Penetanguishene, Thornton and Tottenham, are not contiguous with either Barrie or Vaughan, but they are also effectively served by PowerStream.

While there is some geographic advantage as a result of contiguity, the Applicants expect to leverage operational efficiencies across the entire service area by utilizing the existing six service centres to serve the service area of LDC Co as divided into three regions: western, central, and eastern.

Figure 10 below shows a map of the service areas for LDC Co shaded in green, as well as the distances between the non-contiguous service boundaries.

Figure 10 – Map of Relative Distance between Service Boundaries



DESCRIPTION OF THE CUSTOMERS

The following tables provide the numbers of customers by customer class for 2014 for each of the Parties:

Figure 11 - Enersource Customer Count

Enersource	
Rate Class	**Number of Customers**
Residential	179,182
GS < 50 kW	17,809
GS > 50 to 4,999 kW	4,359
Large Use	9
Unmetered Scattered Load	189
Street Lighting	1
TOTAL	**201,549**

Figure 12: Horizon Utilities Customer Count

Horizon Utilities	
Rate Class	**Number of Customers**
Residential	219,536
GS < 50 kW	18,464
GS > 50 to 4,999 kW	2,065
Large Use	11
Unmetered Scattered Load	1,868
Sentinel Lighting	202
Street Lighting	4
TOTAL	**242,150**

Figure 13 PowerStream Customer Count

PowerStream	
Rate Class	**Number of Customers**
Residential	316,596
GS < 50 kW	31,897
GS > 50 to 4,999 kW	4,789
Large Use	2
Unmetered Scattered Load	2,890
Sentinel Lighting	107
Street Lighting	43
TOTAL	**356,324**

Figure 14 HOBNI Customer Count

HOBNI	
Rate Class	**Number of Customers**
Residential	138,992
GS < 50 kW	9,019
GS > 50 to 4,999 kW	1,601
Large Use	6
Unmetered Scattered Load	58
Street Lighting	2
TOTAL	**149,678**

GEOGRAPHIC SERVICE AREA – POST TRANSACTION

The geographic territory for the Parties post consolidation is shown in Figure 10 above.

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NET METERING THRESHOLDS

The current net metering thresholds of Enersource, Horizon Utilities, PowerStream, and HOBNI are provided in Figures 15-18, respectively. Figure 19 provides the summation for the consolidated entity. There are no special circumstances to the Applicants' knowledge that would warrant the OEB using a different methodology to determine the net metering threshold for each utility.

Figure 15 - Enersource Net Metering Thresholds

Year	System Peak (kW)	1% Rule (kW)	Net Metering Threshold (kW)
2014	1,350,195	13,502	**14,811**
2013	1,540,527	15,405	**15,666**
2012	1,552,685	15,527	**15,686**

Figure 16 - Horizon Net Metering Thresholds

Year	System Peak (kW)	1% Rule (kW)	Net Metering Threshold (kW)
2014	944,108	9,441	**10,420**
2013	1,093,152	10,932	**10,915**
2012	1,088,675	10,887	**10,908**

Figure 17- PowerStream Net Metering Thresholds

Year	System Peak (kW)	1% Rule (kW)	Net Metering Threshold (kW)
2014	1,677,375	16,774	**18,633**
2013	1,971,765	19,718	**19,579**
2012	1,940,793	19,408	**19,326**

Figure 18 - HOBNI Net Metering Thresholds

Year	System Peak (kW)	1% Rule (kW)	Net Metering Threshold (kW)
2014	746,955	7,470	**7,987**
2013	831,796	8,318	**8,230**
2012	817,322	8,173	**8,121**

Figure 19 – LDC Co Combined Net Metering Thresholds

Year	System Peak (kW)	1% Rule (kW)	Net Metering Threshold (kW)
2014	4,718,633	47,186	**51,851**
2013	5,437,240	54,372	**54,390**
2012	5,399,475	53,995	**54,041**

DESCRIPTION OF THE TRANSACTION

The Applicants are proposing a series of transactions that will result in the following:

- The amalgamation of Enersource, Horizon Utilities, and PowerStream, and (while beyond the scope of this Application) the amalgamations of the non-regulated business activities of PowerStream Holdings Inc., Enersource Corporation, and Horizon Holdings Inc.; and
- An acquisition by the amalgamated distributors (Enersource, Horizon Utilities, and PowerStream) of the regulated electricity distribution business of HOBNI for gross proceeds of $607MM, net of any closing adjustments as defined in the corresponding Share Purchase Agreement (Attachment 10).

These transactions will ultimately consolidate the distribution businesses of Enersource, Horizon Utilities, PowerStream, and HOBNI into a single distributor, referred to in this Application as LDC Co.

This consolidation will involve the following seven steps, not all of which require OEB approval (as noted below). For the OEB's assistance, the Applicants have provided diagrams of the various steps in Attachment 1 - Summary of Corporate Steps for Consolidation.

Step 1(a): Enersource adds a holding company, "Enersource Holdings", below Enersource Corporation.

Step 1(b): Enersource Corporation transfers all of the shares of Enersource Hydro Mississauga Inc. and Enersource Services Inc. into Enersource Holdings.

Step 2: Enersource Holdings, Horizon Holdings Inc. and PowerStream Holdings Inc. amalgamate to form "Holdco" pursuant to the Merger Participation Agreement. As a result, there are six shareholders in Holdco: Enersource Corporation; Hamilton Utilities Corp.; St. Catharines Hydro Inc.; Vaughan Holdings Inc.; Markham Enterprises Corporation; and Barrie Hydro Holdings Inc.

Step 3: Holdco amalgamates its three regulated LDC subsidiaries, Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, and PowerStream Inc., to form “LDC Co”.

Step 4: LDC Co acquires the shares of HOBNI from Brampton Distribution Holdco Inc.

Step 5: Holdco amalgamates Enersource Services Inc., Enersource Power Services Inc., Enersource Technologies Inc. (currently dormant) and Horizon Energy Solutions Inc. to form “Energy Services Co” (“ES Co”). This transaction does not require Board approval.

Step 6: Articles of Amendment are filed for Horizon Solar Corp., PowerStream Energy Services Inc. and Hydro One Brampton Networks Inc. to change the names of those corporations. These actions do not require Board approval.

- “Horizon Solar Corp.” becomes “[Solar GP]”
- “PowerStream Energy Services Inc.” becomes “[Taxable Services]”
- “Hydro One Brampton Networks Inc.” becomes “[Brampton Hydro]”
- Solar Sunbelt GP’s business name registration is withdrawn and a new business name is registered.

Step 7(a): [Brampton Hydro] will transfer all of its assets to LDC Co in consideration for a promissory note from LDC Co.

Step 7(b): [Brampton Hydro] and LDC Co will amalgamate by way of a short form amalgamation.

Concurrently with this Application, an application is being made on behalf of LDC Co for an Electricity Distribution Licence that would allow LDC Co to own and operate the distribution systems serving the former Enersource, Horizon Utilities, PowerStream, and HOBNI service areas and become the licensed electricity distributor for approximately 960,000 customers.

DETAILS OF CONSIDERATION

Of the steps identified in Exhibit B, Tab 4, Schedule 1, the following related steps will involve the exchange of shares, assets and partnership interests related to Enersource, Horizon Utilities, and PowerStream:

Step 1(b): Enersource Corporation will receive shares of Enersource Holdings in exchange for its shares of Enersource.

Step 2: Enersource Holdings, Horizon Holdings Inc. and PowerStream Holdings Inc., amalgamating to form “Holdco”, which will own the shares of Enersource, Horizon Utilities, and PowerStream. The former PowerStream Holdings Inc. shareholders will receive a 46% common share ownership interest in Holdco; the former Enersource Holdings shareholder will receive a 31% common share ownership interest in Holdco; and the former Horizon Holdings Inc. shareholders will receive a 23% common share ownership interest in Holdco. More specifically, the share ownership structure of Holdco will be as follows:

Former PowerStream Holdings Inc. shareholders:

- Vaughan Holdings Inc. – 20.84%
- Markham Enterprises Corporation – 15.73%
- Barrie Hydro Holdings Inc. – 9.43%

Former Enersource Holdings shareholder:

- Enersource Corporation – 31.00%

Former Horizon Holdings Inc. shareholders:

- Hamilton Utilities Corporation – 18.15%
- St. Catharines Hydro Inc. – 4.85%

Step 3(a): Holdco will obtain shares of LDC Co in exchange for its shares of Enersource, Horizon Utilities, and PowerStream on amalgamation.

Acquisition of the shares of HOBNI:

The following step will involve the exchange of cash for the shares of HOBNI:

Step 4: LDC Co acquires HOBNI from Brampton Distribution Holdco Inc. Subject to post-closing purchase price adjustments ("PPAs"), LDC Co will provide consideration of $607MM for the shares of HOBNI. The form of consideration will be cash and an adjustable note ("Adjustable Note"). The final amount of the Adjustable Note will have a principal amount equal to the payments in lieu of taxes ("PILs") estimated to be payable by HOBNI on a subsequent transfer of its assets to LDC Co. The amount of the Adjustable Note is reduced to the extent of the amount of the PILs that are actually paid on the transfer of HOBNI's assets to LDC Co. LDC Co is required to pay any remaining amount of the Adjustable Note (after the reduction for PILs) to Brampton Distribution Holdco Inc.

The total consideration for the acquisition of HOBNI is subject to purchase price adjustments as follows:

- $1.50 for every dollar of difference between the net fixed assets of HOBNI at closing and $340,500,000; provided that there is no adjustment if the difference, positive or negative, is less than $2,000,000. If the difference is a positive number equal to or greater than $2,000,000, the purchase price will be increased by the amount of the adjustment. If the difference is a negative number equal to or less than -$2,000,000, the purchase price will be decreased by the amount of the adjustment; and for purposes of either adjustment the $2,000,000 threshold is disregarded;
- $1.00 for every dollar of difference between the working capital of HOBNI at closing and $27,000,000. If the difference is a positive number, the purchase price will be increased by the same amount. If the difference is a negative number, the purchase price will be

decreased by the same amount.

The following steps will involve the exchange of shares and assets related to the former HOBNI, to be renamed as [Brampton Hydro]:

Step 7(a): [Brampton Hydro] will transfer all of its assets to LDC Co in consideration for a promissory note from LDC Co.

Step 7(b): [Brampton Hydro] and LDC Co would amalgamate by way of a short form amalgamation.

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LEGAL AGREEMENTS TO IMPLEMENT THE TRANSACTION

The terms and conditions under which the Applicants will achieve the amalgamation of Enersource, Horizon Utilities, and PowerStream are set out in the following agreements:

- A *Merger Participation Agreement* ("MPA") is included as Attachment 9. The MPA has been redacted to remove any "personal information" within the meaning of the *Freedom of Information and Protection of Privacy Act* (Ontario) ("FIPPA") and pursuant to Section 42 of that Act such information should not be released publicly;
- An *Amalgamation Agreement – Holding Companies* ("AA – HoldCos") is provided as an appendix within the MPA. The AA – HoldCos will lead to the creation of Holdco, the corporation that will own the shares of Enersource, Horizon Utilities, and PowerStream. The AA – HoldCos has been redacted to remove any "personal information" within the meaning of the FIPPA and pursuant to Section 42 of that Act such information should not be released publicly;
- An *Amalgamation Agreement* – LDCs ("AA – LDCs") is provided as an appendix within the MPA. The AA – LDCs will lead to the creation of LDC Co, the successor corporation to Enersource, Horizon Utilities, and PowerStream. The AA – LDCs has been redacted to remove any "personal information" within the meaning of the FIPPA and pursuant to Section 42 of that Act such information should not be released publicly. The amalgamation agreement among the Energy Services companies is beyond the scope of this Application.
- A *Share Purchase Agreement* ("SPA") sets out the terms and conditions under which the shares of HOBNI will be acquired by LDC Co. The SPA is provided as Attachment 10. The SPA has been redacted to remove any "personal information" within the meaning of the FIPPA and pursuant to Section 42 of that Act such information should not be released publicly.

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RESOLUTIONS APPROVING THE TRANSACTION

Copies of the Resolutions of the cities of Mississauga, Hamilton, St. Catharines, Barrie, Markham and Vaughan, and of BPC approving the transaction are provided in Attachment 11.

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OVERALL IMPACT OF THE TRANSACTION

As discussed previously, the consolidation comprises the following:

a) Mergers of the regulated and non-regulated business activities of: PowerStream Holdings Inc. ("PSH"); Enersource Corporation ("EC"); and Horizon Holdings Inc. ("HHI");

b) An acquisition by the Applicants of the regulated electricity distribution business of HOBNI for gross proceeds of $607MM net of any purchase price adjustments as defined in the corresponding Share Purchase Agreement.

The Solar Generation business of PowerStream ("PS Solar") is included in the merged assets but the benefits thereof accrue solely to the benefit of the PS common shareholders.

Hydro One currently provides smart meter services to HOBNI pursuant to an agreement dated January 1, 2013, as amended August 31, 2015, and to be further amended as described in Section 4.1(1)(i)(ix) of the [SPA] (the "Smart Meter Agreement"). Hydro One will continue to provide services to HOBNI pursuant to the Smart Meter Agreement, as contemplated by Section 4.1(1)(i)(ix) of the [SPA].

The transaction provides that Hydro One will continue to provide services to HOBNI, pursuant to the existing Smart Meter agreement up until December 31, 2017.

The Financial Summary is provided as Attachment 2.

The impact of the proposed transaction on consumers with respect to the price, adequacy, reliability and quality of distribution service is addressed below.

- **Price**

The proposed consolidation is expected to deliver material electricity ratepayer savings relative to the *status quo,* i.e., in the absence of a consolidation. Ratepayers of LDC Co are expected to enjoy lower rates through the ten year rebasing deferral period in comparison to the *status quo* for the reasons discussed below. Ratepayers are also expected to experience greater savings in comparison to the *status quo* from the time of the first anticipated rebasing, ten years following the completion of the consolidation, due to cost savings resulting from synergies.

Rebasing Deferral Period – Ten Years from the Completion of the Consolidation:

Each of the consolidating distributors would have filed Cost of Service or Custom IR applications during the proposed ten year rebasing deferral period in the absence of the proposed consolidation. The pre-existing rate plans for Horizon Utilities (2015-2019 Custom IR) and PowerStream (as proposed in its current Custom IR rate application, 2016-2020) will continue until their expiry, and rate adjustments will then take place under Price Cap IR through to the first rebasing of LDC Co. In the absence of the proposed consolidation and rebasing deferral, rebasing for Horizon Utilities and PowerStream would have taken place in 2020 and 2021, respectively, and projected rate increases would have been greater than under Price Cap IR. Enersource was scheduled to rebase in 2017 but has received OEB approval to defer the rebasing. HOBNI is scheduled to rebase in 2020. As with Horizon Utilities and PowerStream, rate impacts from rebasing are projected to have been greater than under Price Cap IR. Accordingly, the proposed transaction results in lower LDC Co rates than the *status quo* during the rebasing deferral period from the time each Party's rate plan expires.

Customer Value Creation

LDC Co will be focused on reducing operating expenditures. It will improve productivity through better utilization of existing assets. LDC Co will leverage best practices in Asset Management from the Parties. This includes the evaluation of long term capital plans, maintenance practices, design standards, and operating standards for alignment of best practices.

The net cost savings discussed above would not be possible without the proposed consolidation. LDC Co will provide distribution rates to customers that will be lower than they otherwise would have been, had the Parties remained standalone entities.

The Applicants expect that the consolidated customer base will create opportunities for LDC Co to provide additional services while adhering to applicable OEB Codes and related regulations. Currently, Horizon Utilities and PowerStream provide water billing services to their respective Shareholders (except for the City of Barrie for PowerStream) on the electricity bills. This approach may be investigated within other service areas of LDC Co. Further opportunities may present themselves in the area of CDM.

- **Adequacy, reliability and quality of service**

The Applicants are committed to maintaining the quality, reliability, and adequacy of electricity service for its customers. The Parties currently have a total of six service centres across their service areas. These service centres will continue to be used for de-centralized functions such as construction and maintenance, trouble response, logistics, fleet services, and metering. Accordingly, the adequacy, reliability, and quality of electricity service will be maintained. LDC Co will maintain or improve service levels of its predecessor utilities (for example, through implementation of new technologies and adoption of best work practices).

The Applicants' intention is that LDC Co will harmonize the engineering standards of its predecessor utilities, which will enable more efficient and effective inventory management and ensure sufficient spare equipment for higher reliability. LDC Co will implement a comprehensive review and recommend best engineering standards and practices to be followed. The review will give due consideration to service reliability, costs, and risks.

Customers in all affected service areas will benefit from being served by a larger utility that will have an expanded ability to monitor, report on and improve system reliability and power quality, given its greater resources.

The Parties' policies and practices for expansion of the distribution system will be standardized across the new geographic service territory. This is expected to facilitate economic growth in the service territory as developers will receive standard Offers to Connect and will be able to deal with only one distributor across these regions.

As identified above, LDC Co expects to maintain the six existing service centres located in: St. Catharines, Hamilton, Mississauga, Brampton, Markham, and Barrie. The Operations staff that currently respond to outages and power quality issues will continue to serve the communities that they serve at present. The Applicants anticipate that response times will not degrade given that these staffing levels will not be changing. In fact, during large scale outages, LDC Co will have the ability to draw upon a much larger number of operations staff for storm restoration efforts.

The System Average Interruption Duration Index ("SAIDI"), the average outage duration for each customer served, is commonly used as a reliability indicator by electricity utilities. The System Average Interruption Frequency Index ("SAIFI"), the average number of interruptions that a customer would experience, is also a key reliability indicator. LDC Co is expected to maintain and improve upon the five-year average reliability indices and the OEB Customer Service Standard metrics for its customers. Each operating area of LDC Co has unique distribution system characteristics; capital and maintenance plans are based on sound asset management strategies that address the specific needs in each of the service areas, including addressing reliability issues.

The five year historical reliability metrics for Enersource, Horizon Utilities, PowerStream, and HOBNI are provided in Figure 20 below.

Figure 20 – Five Year Historical Reliability Metrics of the Parties

	2014			
	Enersource	Horizon Utilities	PowerStream	HOBNI
SAIDI (hr/yr)	0.67	2.18	1.46	0.57
SAIDI Loss of Supply Adjusted (hr/yr)	0.67	1.59	1.40	0.55
SAIFI	1.13	1.91	1.72	0.95
SAIFI Loss of Supply Adjusted	1.13	1.65	1.66	0.90
	2013			
	Enersource	Horizon Utilities	PowerStream	HOBNI
SAIDI (hr/yr)	5.34	4.97	10.68	10.46
SAIDI Loss of Supply Adjusted (hr/yr)	1.49	4.36	9.77	9.84
SAIFI	2.72	2.09	2.54	3.64
SAIFI Loss of Supply Adjusted	1.37	1.76	2.24	3.30
	2012			
	Enersource	Horizon Utilities	PowerStream	HOBNI
SAIDI (hr/yr)	0.70	1.45	1.16	0.76
SAIDI Loss of Supply Adjusted (hr/yr)	0.68	1.43	1.04	0.74
SAIFI	1.71	1.95	1.70	1.27
SAIFI Loss of Supply Adjusted	1.36	1.83	1.53	1.06
	2011			
	Enersource	Horizon Utilities	PowerStream	HOBNI
SAIDI (hr/yr)	0.89	2.25	1.20	0.73
SAIDI Loss of Supply Adjusted (hr/yr)	0.72	2.23	1.05	0.68
SAIFI	1.97	1.74	1.23	1.19
SAIFI Loss of Supply Adjusted	1.54	1.74	1.00	1.05
	2010			
	Enersource	Horizon Utilities	PowerStream	HOBNI
SAIDI (hr/yr)	0.58	1.24	0.81	0.66
SAIDI Loss of Supply Adjusted (hr/yr)	0.55	1.15	0.54	0.46
SAIFI	1.32	1.80	0.92	1.47
SAIFI Loss of Supply Adjusted	1.10	1.55	0.80	0.76

Figure 21 below provides the five year average for each of these reliability indices for each Party, as well as the five year arithmetic average for the consolidated entity.

Figure 21– Five Year Average (SAIDI & SAIFI)

	Enersource	Horizon Utilities	PowerStream	HOBNI	LDC Co
Loss of Supply Adjusted					
5 year Average SAIDI (hr/yr)	0.82	2.15	2.76	2.45	2.05
5 year Average SAIFI	1.30	1.71	1.45	1.41	1.47

LDC Co will maintain and improve service levels of its predecessor utilities through measures such as the implementation of new technologies and adoption of best work practices. LDC Co expects be a leader in instituting CDM initiatives and will be able to reduce duplicate program administration costs. Best practice processes and systems (e.g., customer management functions, call centre service, and billing) of the four predecessor utilities will be adopted across LDC Co in order to improve productivity and raise the quality of service for all customers.

The proposed consolidation will create an entity jointly-owned by six municipalities that will keep this critical service in majority public control (about 97%); Borealis will hold the remaining 3%.

1 **YEAR OVER YEAR COMPARATIVE COST STRUCTURE ANALYSIS**

2 Figure 22 below provides a comparison of the cost structure among the Parties, *status quo* versus post consolidation.

3 **Figure 22 – Comparison of *Status Quo* vs. Post Consolidation OM&A**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Enersource	$ 53,054,280	$ 54,115,366	$ 55,197,673	$ 56,301,626	$ 57,427,659	$ 58,576,212	$ 59,747,736	$ 60,942,691	$ 62,161,545	$ 63,404,776	$ 64,672,871
Horizon Utilities	$ 59,900,000	$ 60,800,000	$ 61,700,000	$ 62,600,000	$ 63,600,000	$ 64,800,000	$ 66,100,000	$ 67,400,000	$ 68,800,000	$ 70,200,000	$ 71,600,000
PowerStream	$ 92,558,000	$ 91,216,000	$ 93,112,000	$ 94,920,000	$ 97,195,000	$ 99,193,000	$ 106,277,000	$ 108,403,000	$ 110,571,000	$ 112,782,000	$ 115,038,000
HOBNI	$ 26,743,071	$ 27,860,000	$ 27,973,363	$ 28,834,451	$ 29,399,288	$ 32,934,389	$ 33,600,000	$ 34,200,000	$ 34,800,000	$ 35,500,000	$ 36,214,080
Consolidated OM&A (stand-alone)	**$ 232,255,351**	**$ 233,991,366**	**$ 237,983,036**	**$ 242,656,077**	**$ 247,621,947**	**$ 255,503,601**	**$ 265,724,736**	**$ 270,945,691**	**$ 276,332,545**	**$ 281,886,776**	**$ 287,524,952**
OM&A Synergies		$ (13,626,826)	$ 8,995,920	$ 23,518,325	$ 38,285,812	$ 41,977,557	$ 42,494,297	$ 42,494,297	$ 42,494,297	$ 42,494,297	$ 42,494,297
MergeCo OM&A		**$ 247,618,192**	**$ 228,987,116**	**$ 219,137,752**	**$ 209,336,135**	**$ 213,526,044**	**$ 223,230,439**	**$ 228,451,394**	**$ 233,838,248**	**$ 239,392,479**	**$ 245,030,655**

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OM&A COST PER CUSTOMER PER YEAR FOR THE CONSOLIDATING PARTIES

Figure 23 below provides a comparison of the OM&A cost per customer per year among the Parties. The data supporting this comparison is based on the 2014 OEB Yearbook of Electricity Distributors.

Figure 23 – OM&A Cost per Customer per Year (2014)

	OM&A	Customers*	OM&A/Customer
Enersource	$52,431,185	201,359	$260.39
Horizon Utilities	$60,317,757	240,076	$251.24
PowerStream	$85,818,363	353,284	$242.92
HOBNI	$26,754,051	149,618	$178.82

**Number of customers is the sum of Residential, General Service<50kW, >50kW, Large Users*

CHANGE OF CONTROL

The Applicants are proposing a series of transactions that will consolidate Enersource, Horizon Utilities, PowerStream, and HOBNI into a single distributor carrying on business as LDC Co. Accordingly, the Applicants confirm that there will be a change of control of the assets of the four Parties.

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OPERATION OF THE DISTRIBUTION SYSTEM

The Applicants undertook a principled approach in the design of the consolidated utility. Planning for the consolidation has focused on the following key principles:

- Management – Management will fulfill its fiduciary obligations to the corporation, including respecting the interests of ratepayers;
- Customers – Customers will be the operational priority of LDC Co, including the provision of superior customer service, ease of access, and a reliable distribution system;
- Employees – Employees will be treated in a fair and equitable manner. They will adhere to an established set of core values, including work place safety, high customer service standards and improved productivity;
- Community – LDC Co will play a significant role in the communities that it serves, be a good corporate citizen and facilitate economic development;
- Environmental Stewardship – LDC Co will exhibit responsible stewardship, including a strong commitment to energy conservation and environmental sustainability;
- Growth – Growth opportunities will be pursued where prudent; and
- Sector Leadership – LDC Co will be a leader in the energy sector and will positively influence the sector from operational, policy and energy perspectives.

The Applicants understand that to achieve the necessary and desired customer and financial outcomes, effective operational processes and skilled employees must be in place to support and deliver on results.

Operational Focus

LDC Co will implement its business mission and vision by focusing on four operating strategies:

- Enhancing service delivery to customers;
- Enhancing internal operational cost efficiencies and asset utilization;
- Increasing shareholder value through growth and productivity improvements; and
- Developing and maintaining highly skilled and motivated employees.

Employee Focus

As is the case for the consolidating Parties, LDC Co's most important resource will be its employees. There will be human resource redundancies as a result of consolidating the four LDCs, given that each of the four have similar business purposes and functions. Nonetheless, LDC Co will focus on four key areas to ensure that employees are fully engaged and contributing at their peak:

- Safe and healthy workplace;
- Employee skill development;
- Effective internal corporate communications; and
- Performance based culture.

There are significant employee opportunities as a result of the consolidation including:

- Product and service innovation for employees to develop new skills and to be at the leading edge of technology and service innovation;
- Access to increased training and development opportunities across the organization and the ability to further enhance their skills through corporate-wide training programs;
- LDC Co will have the flexibility and critical mass to be a leader in the Ontario electricity industry. Its employees will have confidence about the future of the company and its growth potential; and
- LDC Co will continue to create, implement, and promote a desired corporate culture for its employees.

Distribution System Operations

LDC Co will initially have three distinct operating regions:

- Western Region: Horizon Utilities service territories;
- Central Region: HOBNI and Enersource service territories; and
- Eastern Region: PowerStream service territories.

In developing LDC Co's operational organizational structure, primary considerations were efficiency, effectiveness, and service levels. Not all job functions within the utility are directly tied to the regions they serve. In fact, several services can be performed centrally without any degradation of efficiency, effectiveness, and service levels. Centralizing certain functions, such as transactional and informational services, is expected to create scale and lower costs which is a fundamental objective of the consolidation.

De-centralized (Asset Related Services)

De-centralized, or regionalized functions tend to be categorized as those focused on the delivery of service at the asset level in the field. Opportunities exist for the reduction and rationalization of asset related services with the adoption of best practices in job planning, resource planning/allocation methodologies, and task productivity improvements. However, the overall optimization function recognizes the inherent regionalized aspect of these tasks as they are intrinsically linked to geographic assets. Commuting costs and response time would increase, and overall customer service and productivity would be reduced, if these functions were centralized.

Centralized (Transactional/Informational Services)

In contrast to Asset Related Services, Transactional/Informational Services are technology-focused. The definition of technology includes business processes. These functions utilize technology as leverage for productivity. The focus in this case is typically on standardization and repeatability.

Figure 24 below shows examples of a functional listing of a utility and the classifications of these functions into their appropriate category:

Figure 24 – Centralized and Decentralized Utility Functions

Centralized	De-centralized
• Corporate • Human Resources • Regulatory Affairs • Procurement • Finance • Information Technology • Asset Management & Engineering Services	• Facilities (Property) • Logistics • Fleet Services • Metering • Customer Service (Call Centre, Billings, Collections) • Construction • Trouble Response • Control Room (daytime only)

These categorizations have been based on broad assumptions that reflect the primary focus and nature of the tasks involved in carrying out the functions. For certain functions (e.g., Finance) a hybrid approach between centralized and de-centralized may be employed.

Service Centres

LDC Co will utilize existing service centres for de-centralized functions such as construction and maintenance, trouble response, logistics, fleet services and metering. There are six service centres currently located within the three regions:

- Western Region
  - Hamilton and St. Catharines;
- Central Region
  - Mississauga and Brampton; and
- Eastern Region
  - Markham and Barrie.

From a service standpoint, very little, if anything, is changing with regard to service centres and the employees who are located at these locations. No reduction of service levels is anticipated as a result of the consolidation.

Call Centre/Control Room Consolidation

Two call centres will be designated for LDC Co: one in St. Catharines; and the other in Vaughan. A possible future consolidation to one call centre will be evaluated for its feasibility.

Two control rooms will be designated for LDC Co: one in Hamilton; and the other in Vaughan. A possible future consolidation to one control room will be evaluated for its feasibility.

Head Offices

Upon the completion of the consolidation, Holdco will control LDC Co, Solar GP (which will be the general partner in a generation-related limited partnership with LDC Co as the limited partner) and ES Co. The head offices of each of Holdco, LDC Co and ES Co will be located in respective separate communities to efficiently utilize existing facilities. The determination of locations for the head offices and each of operating entities was based on practical considerations for both current and future business requirements.

- **Holdco Head Office**

The Corporate Head Office of Holdco will be located in Mississauga at the Derry Road facility. The Mississauga location is central to Holdco's existing business, is readily accessible by multiple highways, is nearly equidistant from other offices which maximizes efficiency of interaction and travel, and has immediate space availability.

- **LDC Co Head Office**

The LDC Co Head Office will be located in Hamilton at the John St. facility, which leverages the existing office space, garage and maintenance areas.

- **Sustainability and Innovation Head Office**

The Sustainability and Innovation Head Office will be located in Vaughan at the Cityview Blvd. facility. The Vaughan Head Office will focus on innovation in such areas as Information

Technology, Conservation and Demand Management ("CDM"), solar, smart grid and new energy services. The Vaughan office has already established a reputation for excellence in innovation and this continues its growth.

All three offices will continue to support the regulated business.

Information Technology ("IT")

LDC Co will set the following IT objectives for business applications:

- Establish a stable, consolidated, secure information technology infrastructure environment to sustain the operations of the new company and minimize operational risk during the transition period following the consolidation;
- Consolidate the Enterprise Resource Planning ("ERP") systems as quickly as possible into the JD Edwards system environment to facilitate the integration of business operations;
- Consolidate the Customer Information Systems ("CIS") environment as quickly as possible into one common Oracle Customer Care & Billing ("CC&B") system to facilitate integration of Customer Service business functions and improve service to customers;
- Consolidate the Geographic Information Systems ("GIS") and Outage Management Systems ("OMS") into one common Intergraph GIS and OMS environment to facilitate integration of the electrical Network Operations of the business and improve service to customers; and
- Consolidate enterprise cyber security practices and technologies into a single common set of processes and systems that provides the protection of information and the entire information technology architecture to support all business and regulatory requirements of the new company.

There are a number of less compatible systems including finance, work order management, settlements, and payroll systems that will need to be integrated as part of a transitional plan. Each of these systems may be run in parallel until such time as integration plans can be executed.

Overall, it appears that the level of systems compatibility between the utilities will facilitate a transition to a common approach to delivering business applications while supporting continuing business operations and managing risk. IT related cost savings range from $1.1MM in year one post consolidation up to $10MM in year five and beyond.

Customer Service

Key elements of the consolidation will focus on customer service. Customers are the operational priority and will continue to receive excellent service. LDC Co will ensure a reliable, effective, and efficient electricity distribution system as well as innovative, value-added, energy services and solutions. Customers will have access to customer service in a timely, reliable and accurate manner. LDC Co will be operated on customer-centric values, and it will undertake a principled approach in the design of an effective organization plan such that customer service responsiveness levels target improvement but will certainly be no less than service levels prior to merging in each community. Adopting best practices and finding efficiencies while maintaining or improving customer service will be a key priority.

LDC Co will focus on five attributes within the customer perspective. Initiatives will be identified and organized to target improvement in the following five areas:

- Efficiency, i.e., distribution rates/price;
- Electricity reliability;
- Bill accuracy and quality;
- Responsiveness/ease of doing business; and
- Trust/corporate image.

The objectives and business principles contemplate enhanced customer service delivery as a result of the merger transaction. As such, customer service operational plans will be closely linked to the achievement of customer service satisfaction levels. In setting performance targets for customer service levels, LDC Co will consider:

- Present service levels of Enersource, Horizon Utilities, PowerStream and HOBNI and will reconcile to the highest levels among them;
- Service levels required by OEB regulation;

- Competitive benchmarks; and
- Results of customer surveys.

As part of its ongoing operation, LDC Co will regularly review the level of customer service support to ensure appropriate levels are maintained.

The Applicants have estimated that sustained operating, maintenance and administration ("OM&A") savings net of transition costs will be approximately $42.5MM in year five and beyond. The OM&A savings will be achieved through $270MM (net of transition costs) in savings over the first ten years post consolidation from payroll reductions and $42MM (net of transition costs) for non-payroll cost reductions. The OM&A budget for LDC Co is therefore anticipated to be approximately 15% lower than the sum of the OM&A budgets for the Parties, three to five years following completion of the consolidation.

IMPACT OF THE TRANSACTION ON ECONOMIC EFFICIENCY AND COST EFFECTIVE DISTRIBUTION OF ELECTRICITY

The Applicants have determined the cost structure of LDC Co as a result of the consolidation based on the best information available and certain assumptions, as provided in Exhibit B, Tab 5, Schedule 1. Realization of synergy savings will depend on a number of factors including the complexity of the precedent-setting integration of four large LDCs.

Synergy Forecast

The total anticipated savings net of transaction costs over a ten year rebasing deferral period resulting from the merger of Enersource, Horizon Utilities and PowerStream, and the acquisition of HOBNI total approximately $312MM in operating costs and approximately $114MM in avoided capital costs, which represent $426MM in total cash savings. These operating and capital savings will benefit customers through lower rates than the *status quo*, and will benefit shareholders through increased and more stable dividends.

The approximately $114MM in capital savings, net of any transition costs (Figure 25, below), over the ten year rebasing deferral period arise mainly due to moving to single, common Information Systems (a single customer billing system, for example) and Operating Systems (a single Control Room, for example), harmonizing engineering standards and adopting best work practices.

Reductions in the capital budget are anticipated as shown in Figure 25 below. However, in each of the service areas, the electricity distribution system will need to be expanded and refurbished as specified in capital plans. Lines crews will need to be in reasonably close proximity to customers in order to respond to power outages, make repairs and restore service. Accordingly, there are likely only limited opportunities for other reductions in capital expenditures during the rebasing deferral period.

It is anticipated that LDC Co will have sustained net annual operating savings, relative to the *status quo*, of approximately $43MM in 2020 and beyond (Figure 25), driven primarily by the integration of back-office functions.

These savings will result in overall lower LDC Co electricity distribution rates, in comparison to the rates of the individual LDCs absent the three-way amalgamation and the acquisition of HOBNI.

Figure 25 – Total Net Synergies

($MMs)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Gross Synergies											
Operating	7.2	20.1	31.7	40.6	42.5	42.5	42.5	42.5	42.5	42.5	354.6
Capital	23.0	22.6	28.8	23.2	30.0	8.0	8.0	8.0	8.0	8.0	167.6
Total Synergies	30.2	42.7	60.5	63.8	72.5	50.5	50.5	50.5	50.5	50.5	522.2
Transition Costs											
Charged to Operating	20.9	11.1	8.2	2.3	0.5	-	-	-	-	-	43.0
Charged to Capital	33.7	15.2	4.4	-	-	-	-	-	-	-	53.3
Total Transition Costs	54.6	26.3	12.6	2.3	0.5	-	-	-	-	-	96.3
Net Synergies											
Operating	(13.7)	9.0	23.5	38.3	42.0	42.5	42.5	42.5	42.5	42.5	311.6
Capital	(10.7)	7.4	24.4	23.2	30.0	8.0	8.0	8.0	8.0	8.0	114.3
Total Net Synergies	(24.4)	16.4	47.9	61.5	72.0	50.5	50.5	50.5	50.5	50.5	425.9

Benefits

(a) Overview

The Applicants anticipate that as a result of the consolidation, the following material savings will be generated (values are pre-tax):

- Aggregate gross OM&A savings of $355MM in LDC Co over the first ten years following consolidation, or 14% of total OM&A expenditures, thereafter continuing at a savings rate of approximately 15% annually, (i.e., not cumulative).

- Aggregate gross capital expenditure (“CapEx”) savings of $168MM in LDC Co over the first ten years following consolidation, thereafter continuing at a sustained level of $8MM annually.

LDC Co will incur transition costs of approximately $96MM, primarily in the first three years following consolidation, with respect to systems and process integration and human resource costs.

In total, LDC Co will deliver approximately $426MM of net cash savings (pre-tax) in the first ten years following the consolidation thereafter sustained at approximately $51MM per year.

The shareholder and customer benefits described herein are made available by the operating synergies and savings previously described and summarized in Figure 25, above.

The annual operating and capital savings are expected to be sustainable following the ten year period post consolidation. LDC Co customers will benefit from reduced rates as compared to the rates that would have existed if the merger transaction had not occurred. Customers also benefit from a larger and more stable utility that has significant access to investment capital to support sustainable investment in the reliable and safe distribution of electricity.

Based on OEB policy for distributor consolidation, the cost savings and synergies resulting from a consolidation may be retained by shareholders and customers of LDCs as follows:

- Savings net of transaction and transition costs may be retained by shareholders until the next LDC rate rebasing, which must occur no later than the beginning of the eleventh year following the merger. Consequently, LDC shareholders may retain merger benefits for a maximum ten year period subsequent to a merger. The benefits retained in the second five year period are subject to an earnings sharing mechanism;

- The merger benefits to customers in the form of lower distribution rates at the time of the first rebasing of LDC Co.

The Applicants have chosen to rebase LDC Co in the eleventh year following the completion of the consolidation.

(b) Customer Benefits

Customers generally benefit from lower rates from, or very near to, the commencement of a merger transaction.

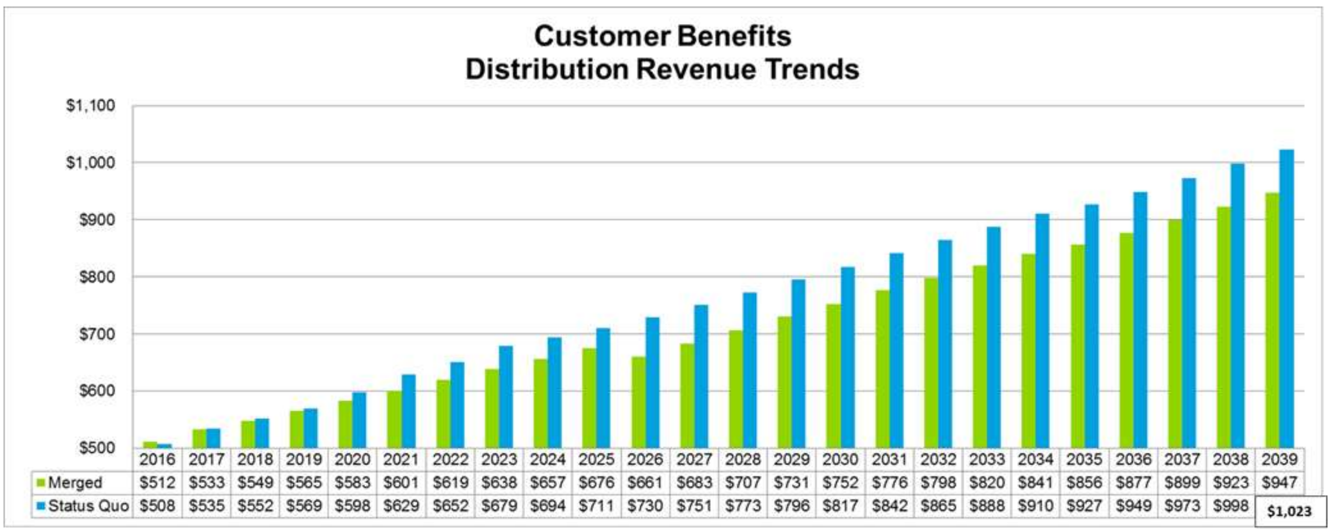
According to OEB policy with respect to rate making associated with LDC consolidations, the savings corresponding to LDC consolidations are transferred to customers at the first rebasing. The period prior to such first rebasing is defined as the Rebasing Deferral Period.

Notwithstanding the above, customers will benefit significantly through the period leading up to the first rate rebasing.

In the absence of the proposed consolidation, the Parties would continue to regularly rebase their rates, through successive Custom IR applications (further described below) in order to recover ongoing increases in their cost structures. Under the merger, no such rebasing occurs during the Rebasing Deferral Period during which the savings accrue to shareholder interests. Consequently, as a result of the proposed consolidation (and consolidations generally), customers benefit from relatively lower rates during the Rebasing Deferral Period.

The overall relative benefit to customers under the “Merged” versus “Status Quo” scenarios is illustrated in the chart below.

Figure 26 – Distribution Revenue Trends



Overall, the proposed consolidation is also expected to deliver lower distribution costs to LDC Co customers averaging an aggregate of:

- $48.6MM per year, or 5.9%, through the entire Forecast Period.
- $19.5MM per year, or 3.3%, through the Rebasing Deferral Period.
- $69.3MM per year, or 8.0%, following a transfer of merger benefits to customers in 2026.

INCREMENTAL COSTS FOR PARTIES TO THE TRANSACTION

- **Incremental Consolidation Costs**

The Parties to the proposed consolidation have incurred and will incur incremental costs in respect of the proposed consolidation. Consolidation costs include, but are not limited to: due diligence on the part of all Parties; due diligence to negotiate the terms of the consolidation; costs associated with all regulatory, legal and statutory reviews in order to receive necessary regulatory approvals; integration costs of IT systems including CIS, ERP systems and other technology-related support systems; integration of operational systems including GIS, OMS and Supervisory Control and Data Acquisition (“SCADA”) systems; integration of customers; alignment of financial and regulatory reporting processes; staff related costs and transition of assets and related management to one standard.

The aggregate consolidation costs are approximately $96.3MM. The costs associated with the above-mentioned transition and consolidation requirements will be funded through the anticipated productivity savings expected from the consolidation during the ten year rebasing deferral period; they will not be included in the ratepayer funded LDC Co revenue requirement.

- **Incremental Costs**

Transaction Development Costs

Each of the Applicants retained its own independent legal and financial advisors. Additionally, the Applicants engaged joint legal and financial advisors to facilitate the development of the consolidation. Such costs are borne by each of the Applicants and do not carry into the new merged entity. These costs are not recoverable by the Applicants through electricity distribution rates.

Implementation/Integration Costs

As with the transaction development costs, these transitional costs will be financed through the anticipated productivity savings expected from the transaction during the rebasing deferral period; they will not be financed through distribution rates. The deferred rebasing of LDC Co will allow the consolidated entity to retain synergy savings to offset consolidation costs and provide shareholder incentives to undertake the merger, while protecting the interests of customers across all of the existing service areas.

The following tables summarize the savings and costs:

Figure 27 - Total Cash Savings

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
OPEX Savings	$ 7.2	$ 20.1	$ 31.5	$ 40.6	$ 42.5	$ 42.5	$ 42.5	$ 42.5	$ 42.5	$ 42.5	$ 354.6
OPEX Transition Costs	$ (20.9)	$ (11.1)	$ (8.2)	$ (2.3)	$ (0.5)	$ -	$ -	$ -	$ -	$ -	$ (43.0)
Total OPEX Savings	$ (13.7)	$ 9.0	$ 23.5	$ 38.3	$ 42.0	$ 42.5	$ 42.5	$ 42.5	$ 42.5	$ 42.5	$ 311.6
CAPEX Savings	$ 23.0	$ 22.6	$ 28.8	$ 23.2	$ 30.0	$ 8.0	$ 8.0	$ 8.0	$ 8.0	$ 8.0	$ 167.6
CAPEX Transition Costs	$ (33.7)	$ (15.2)	$ (4.4)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (53.3)
Total CAPEX Savings	$ (10.7)	$ 7.4	$ 24.4	$ 23.2	$ 30.0	$ 8.0	$ 8.0	$ 8.0	$ 8.0	$ 8.0	$ 114.3
Total Cash Savings	**$ (24.4)**	**$ 16.4**	**$ 47.9**	**$ 61.5**	**$ 72.0**	**$ 50.5**	**$ 50.5**	**$ 50.5**	**$ 50.5**	**$ 50.5**	**$425.9**

Figure 28 Total Operating Expenditure Savings

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Payroll Cost Savings	$ 6.7	$ 17.5	$ 28.0	$ 34.5	$ 36.7	$ 36.7	$ 36.7	$ 36.7	$ 36.7	$ 36.7	$ 306.9
Payroll Transition Costs	$ (17.5)	$ (10.0)	$ (7.8)	$ (2.0)	$ (0.3)	$ -	$ -	$ -	$ -	$ -	$ (37.6)
Total Payroll Savings	$ (10.8)	$ 7.5	$ 20.2	$ 32.5	$ 36.4	$ 36.7	$ 36.7	$ 36.7	$ 36.7	$ 36.7	$ 269.3
											$ -
Non-Payroll Cost Savings	$ 0.5	$ 2.6	$ 3.9	$ 6.0	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 47.8
Non-Payroll Transition Costs	$ (3.4)	$ (1.1)	$ (0.6)	$ (0.2)	(0.2)						$ (5.5)
Total Non-Payroll Savings	$ (2.9)	$ 1.5	$ 3.3	$ 5.8	$ 5.6	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 42.3
Total OPEX Savings	$ (13.7)	$ 9.0	$ 23.5	$ 38.3	$ 42.0	$ 42.5	$ 42.5	$ 42.5	$ 42.5	$ 42.5	$ 311.6

- **Financing of Incremental Costs**

These costs are self-financing by the associated savings. This notwithstanding, there will be timing differences between expense outlays and their recovery.

The Applicants have arranged a $500MM commitment for a 364-Day facility from two large banks. Such facility will be sufficient to finance: i) the temporary shortfall between implementation costs and their recovery through corresponding savings; and ii) the ongoing working capital requirements of LDC Co.

VALUATION OF ASSETS AND SHARES

The value for the Applicants was completed on a stand-alone, discounted cash flow basis. The value of the HOBNI shares was as negotiated between the Applicants and the HOBNI shareholder.

The assumption for future rate levels in the valuation was based on annual rebasing for the Applicants going forward from the time of the next rebasing application.

Holdco Shareholder Benefits

Subject to assumptions and risks further described herein, the proposed consolidation is expected to deliver meaningful shareholder benefits summarized as follows:

Holdco

- Increase in the Net Present Value ("NPV") of earnings of approximately $276MM from $1,154MM to $1,430MM from 2016 to 2036 (the "Forecast Period") relative to the status quo, a 24% increase.

Holdco expects to adopt a dividend policy with dividends computed on shared earnings determined in a manner consistent with that used by the OEB for purposes of its distribution rate-making policies. Such basis is commonly referred to as Modified International Financial Reporting Standards ("MIFRS"). MIFRS is a modified basis of IFRS used by Canadian corporations for financial statement purposes. Holdco generally expects to pay dividends of up to 60% of earnings on this basis.

Valuation

The Applicants have a relative valuation of income generating assets on the basis that each would contribute a common capital structure (i.e., debt and equity) to Holdco. The common capital structure adopted for purposes of valuation is comprised of 60% debt and 40% equity relative to contributed assets.

The principal business of each of the Parties is regulated electricity distribution. The rate base or asset value of the regulated and total business (regulated and non-regulated) of each of the Applicants is as follows (2014):

Figure 29 – LDC Co Rate Base Calculation

2014 Rate Base – Regulated Business		
	$MM	**%**
Enersource	$654.1	31.7%
Horizon Utilities	$477.6	23.2%
PowerStream	$929.5	45.1%
TOTAL	**$2,061.2**	
2014 Rate Base- Regulated and Non-Regulated Businesses		
	$MM	**%**
Enersource	$657.2	31.4%
Horizon Utilities	$483.8	23.1%
PowerStream	$952.6	45.5%
TOTAL	**$2,093.6**	

Note: the calculation of rate base is based on the information from 2014 financial statements only and does not include any adjustments for non-distribution assets

Each of the Applicants also has non-regulated businesses as follows:

- PS – PS Solar, sub-metering, and other energy businesses;
- EC – street light maintenance, high voltage design and maintenance;
- HHI – solar generation, meter servicing, and water billing.

The following principles were used in the determination of relative value:

- Enterprise Value (“EV”), which uses discounted cash flow analysis to arrive at the value of each of the Applicants;
- Market Multiple, which effectively determines a multiple of the asset value that a prospective purchaser might be willing to pay on the basis that it continues to earn a regulated rate of return on the regulated assets of each party after consideration for merger costs and savings.

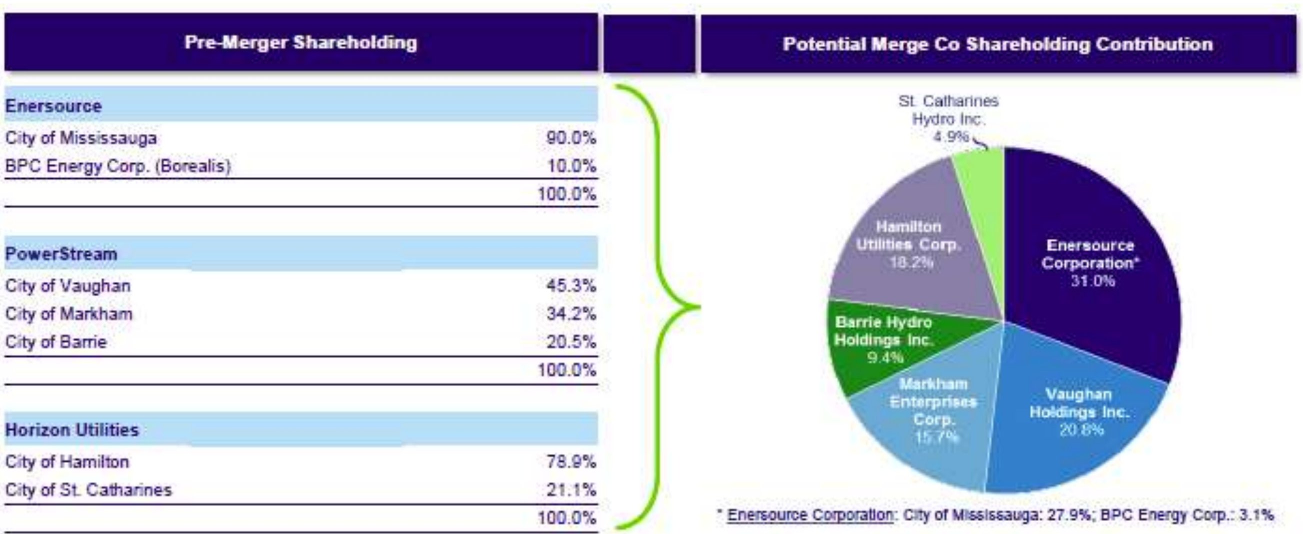
The Enterprise Value approach was used exclusively to value the non-regulated business investments of each of the Applicants.

Figure 30 – Enterprise Value Outcome

Enterprise Value	
Enersource	46.0%
Horizon Utilities	31.0%
PowerStream	23.0%

The allocation of shareholdings under the EV approach is provided in Figure 31, as follows:

Figure 31 – Individual Shareholder Ownerships



The valuation results indicate that there is no single controlling interest in Holdco such that the shareholdings are well distributed with Enersource Corporation having the largest interest at 31.0% and St. Catharines Hydro Inc. having the smallest interest at 4.9%.

Transaction Structure

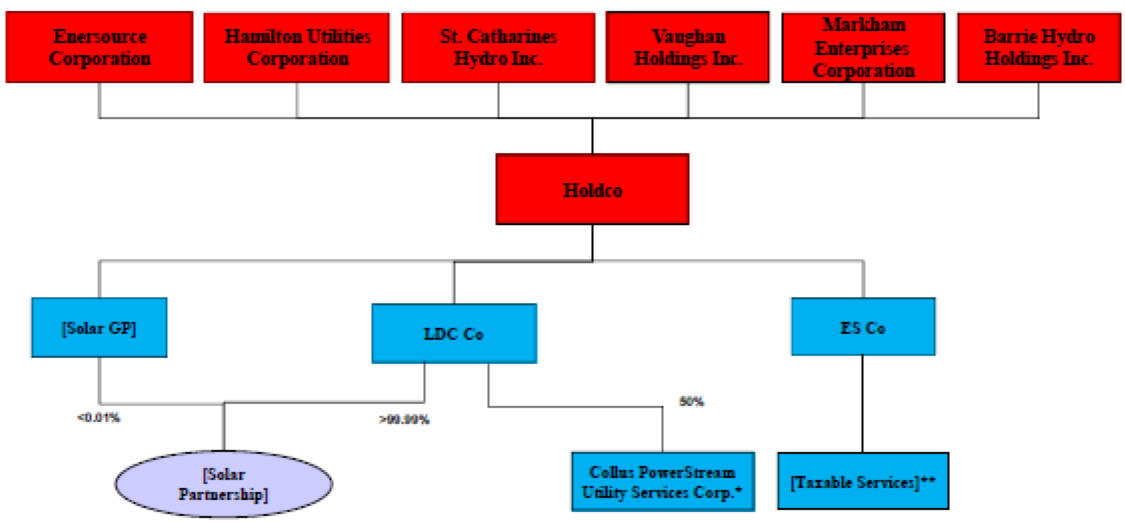
The corporate structure has been designed with the following objectives:

- Financial flexibility to support ongoing sustainment-based investment in electricity distribution and business growth; and

- Tax efficiency.

The proposed final structure, as presented earlier in this Application as Figure 1, is provided below:

Figure 32 - Proposed Corporate Structure



* 50% ownership by Town of Collingwood not shown. Collus subsidiaries also not shown.
** Ownership of non-participating, non-voting preferred shares by PowerStream Energy Holdings Trust not shown.

LDC Co holds the LDC business and assets as well as the solar generation assets. The energy services company or 'ES Co' holds the other non-regulated business interests.

Holdco is the holding company for all of the businesses and warehouses corporate functions including the CEO, legal, regulatory, finance, treasury, communications, and public and investor relations.

The businesses of EC, HHI and PSH are merged in LDC Co and ES Co. HOBNI is thereafter acquired by LDC Co.

With the exception of the shareholders of EC, Holdco is held directly by municipal holding companies that, in turn, are held directly by respective municipalities as follows:

- Vaughan Holdings Inc. ("VHI") – City of Vaughan.
- Markham Enterprises Corporation ("MEC") – City of Markham.

- Barrie Hydro Holdings Inc. (“BHHI”) – City of Barrie.
- St. Catharines Hydro Inc. (“SCHI”) – City of St. Catharines.
- Hamilton Utilities Corporation (“HUC”) – City of Hamilton.

BPC and the City of Mississauga continue to hold their respective shareholder interests in Holdco through EC. This is necessary as, alternatively, a direct interest of BPC in Holdco would trigger significant tax consequences for Holdco.

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EFFECT OF HOBNI PURCHASE PRICE ON FINANCIAL VIABILITY OF THE PURCHASERS

Subject to purchase price adjustments previously described, the $607MM of consideration payable for HOBNI is $202MM (the "Premium") above its projected 2015 OEB approved rate base of $405MM. Subject to ongoing rate applications and OEB reviews, the rate base portion of the consideration payable is recoverable from ratepayers. The Premium is not recoverable from ratepayers.

The Applicants have modelled the proposed consolidation, including the sources and amount of acquisition financing, to target a long-term A-range rating, which is consistent with the Canadian utility practice for rate regulated utilities. The modelling provides for the following:

- As a matter of priority, the maintenance and growth of regulated long-term capital and operating programs for each of the Parties, consistent with their individual long-term plans;
- The forecast synergies, savings, and implementation costs; and
- HOBNI acquisition financing.

The Applicants determined the amount of debt and equity financing that was appropriate to support an A-range rating.

The targeted amount of debt financing for the transaction is $424.9MM. The remaining $182.1MM will be financed by shareholder contributions.

The specific details of the approach to acquisition financing for HOBNI and the Financing Plan are provided in Attachment 3 - Summary of Financing Plan for the Transaction.

Based on the discussion above and in the noted references, the financial ratios and indicators will continue to be consistent with an A-range rating. Therefore, the Applicants believe that this price will not have an adverse effect on the economic viability of LDC Co.

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FINANCING OF THE TRANSACTION

Holdco will require ongoing access to financial capital to address the following investment objectives:

- Ongoing sustainment of the electricity distribution business through re-investment in aged infrastructure, new investment in customer connections growth, and corresponding working capital;
- Acquisition of HOBNI;
- Growth through mergers and acquisitions or logical extensions of the existing business;

Regulated utilities in Canada and much of the United States are generally in an A-range for utilities that do not have significant commodity-based exposures. In Canada, the majority of utilities are in the Standard and Poor's A-range.

a) Sustainment-Based Investment

The financial plan has been modelled on the basis that the ongoing sustainment and growth requirements of the electricity distribution system are provided for in a manner consistent with the long-term forecasts of the entities comprising LDC Co. Each entity has long-term capital plans based on detailed asset condition assessments, growth estimates, and sound engineering principles.

LDC Co requires sustainment-based financing for the following:

- To support its current and ongoing investments in electricity distribution infrastructure;
- To support working capital timing differences, such as differences between the realization of customer receivables and the settlement of trade payables;
- To support security requirements, such as the prudential requirements of the IESO for electricity purchases.

The OEB's rate-making policies generally provide for the recovery of:

- Prudently incurred capital and operating expenditures;
- A corresponding recovery of the cost of financial capital to support capital investments and a working capital allowance based on a deemed regulated capital structure that is consistent with industry norms for regulated utilities.

Financial capital will be provided through a combination of the following:

- Holdco regulated and non-regulated operating cash flow;
- Revolving credit facilities in an amount sufficient to finance working capital and support bridge financing of ongoing growth in the assets of Holdco;
- The establishment of a trust indenture under which Holdco will issue long-term debt instruments to provide a more permanent source of financing for its long-term assets.

Such sources of financial capital are identical to those presently used by the Parties and are typical of the sources used by similar utilities.

The Applicants have arranged a commitment from two financial institutions for a $500MM revolving term loan to provide a source of financing on closing for working capital and bridge financing for new capital expenditure (the "Working Capital Facility").

The OEB's rate-making policy effectively establishes an appropriate capital structure for Ontario LDCs. This "deemed" structure comprises 60% debt and 40% equity in support of the regulated assets or rate base of an LDC. At these levels of debt and equity and corresponding rate-recovery of financial capital, rate-making policy effectively supports an A-range credit rating.

LDC Co anticipates maintaining a financial capital structure of approximately 60% debt as a result of the acquisition of HOBNI. Holdco will manage its business to continue to support an A-range rating.

b) Acquisition of HOBNI

Acquisition Financing

HOBNI is being acquired by LDC Co without the assumption of any debt, other than certain debt-like obligations not severable from the business. Such debt-like obligations include customer deposits, regulatory liabilities, and employee benefit liabilities.

On this basis, the acquisition of HOBNI is to be financed by:

- Borrowing against the HOBNI rate base to the extent such borrowing supports an A-range rating overall for Holdco; and
- Contributions of borrowing capacity and/ or new equity capital by each Party in proportion to its relative shareholding in Holdco.

The level of borrowing to support the transaction has been set in a range of 70-75% of the HOBNI purchase price to optimize the cost of financial capital for Holdco, while also providing sufficient ongoing liquidity to support its sustainment-based investment requirements at a target A-range credit rating.

The amount of borrowing and capital contribution by source is summarized in the following table assuming an overall 70% level of debt financing to finance the HOBNI purchase price:

Figure 33 – Financing at 70% Debt Level

($MMs)	Debt Capacity	New Equity	Total
HOBNI	$ 201.6	$ -	$ 201.6
PS	$ 61.6	$ 124.7	$ 186.3
EC	$ 61.1	$ 64.6	$ 125.7
HHI	$ 100.6	$ (7.2)	$ 93.4
Total	$ 424.9	$ 182.1	$ 607.0

The acquisition of HOBNI represents a long-term investment by Holdco. Such investment is properly financed by corresponding long-term financial instruments such as long-term debt and/ or new shareholder equity.

It would be impractical for Holdco to issue $424.9MM of long-term debt, such as a bond/ debenture, contemporaneously with the acquisition of HOBNI. Consequently, Holdco requires a short-term source of debt financing to acquire HOBNI as of the acquisition closing date, which is expected to be the last business day of the month following the date on which the closing conditions (including obtaining OEB and Competition Bureau approvals) for the HOBNI acquisition have been satisfied or waived.

The Applicants have arranged a commitment from two financial institutions (the same as for the Working Capital Facility) for a $625MM non-revolving term loan to provide a source of short-term financing for the HOBNI acquisition (the "Acquisition Facility"). The Applicants will cause LDC Co to work diligently to establish a new Holdco Trust Indenture to provide for a long-term debt issuance to take out the Acquisition Facility as soon as is practical following the acquisition of HOBNI. Please refer to Attachment 3 for a Summary of the Financing Plan for the Transaction.

c) Interest Rate Risk and Long-Term Financing – HOBNI Acquisition

There is a significant period of time between the execution of the HOBNI Share Purchase Agreement (Execution Date) and the closing of the acquisition (Closing Date). The Closing Date is subject to the following:

(i) closing of the merger of EC, HHI and PSH;

(ii) approval of the OEB of the merger and acquisition;

(iii) Competition Bureau approval of the transaction.

While these conditions are each expected to be fulfilled subsequent to the Execution Date, the timing of each (most particularly 'ii') is uncertain, which further creates uncertainty regarding the actual Closing Date.

The price being paid for HOBNI is fixed, subject to certain purchase price adjustments. However, the associated acquisition financing will not be in place until closing.

Consequently, the value of an ongoing HOBNI net earnings stream is subject to interest rate risk between signing and closing. Additionally, this interest rate risk continues post-closing until Holdco is able to take out the Acquisition Facility with fixed-rate long-term debt. This risk and mitigation techniques are further described in Attachment 2 – Financial Summary.

The prevalence of interest rate risk also creates urgency to issue fixed-rate debt as soon as possible post-closing.

The Applicants assume a 4% debt cost of financing for the HOBNI acquisition; which is reasonable relative to recent bond forecasts. This suggests that Holdco may be able to achieve or modestly outperform the debt cost assumption in the model if it were to issue fixed-rate debt within three to twelve months following the closing of the transaction.

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CAPITAL STRUCTURE

The details of the capital (debt/equity) structure of the Parties to the proposed transaction are provided below, on an actual basis prior to and on a pro forma basis after completion of the proposed transaction. The terms associated with the debt structure and debt covenants of LDC Co as well as the dividend policy after the completion of the proposed transaction are included.

Capital Structure of Parties Prior to the Consolidation ($000's):

1. Enersource Corporation Group of Companies

- Enersource Corporation

Enersource Corporation's ("EC") audited consolidated financial statements for the year ended December 31, 2014 are in Attachment 12.

EC has a 100% ownership interest in Enersource.

EC's debt to equity ratio (S&P basis) is 51.30% as at December 31, 2014.

EC has net long term debt of $318,137 as at December 31, 2014. Long term debt comprises two private placement debentures:

(i) Series A Debentures of $110,000 bearing interest at 4.52% per annum. Interest is payable semi-annually. The debenture matures on April 29, 2021.

(ii) Series B Debentures of $210,000 bearing interest at 5.30% per annum. Interest is payable semi-annually. The debenture matures on April 29, 2041.

Consolidated Funded Obligations are not to exceed 75% of Total Consolidated Capitalization.

The dividend policy of EC entitles its shareholders to be eligible for annual non-cumulative dividends of up to 60% of prior years' MIFRS Net Income.

- Enersource Hydro Mississauga Inc.

Enersource's audited financial statements for the year ended December 31, 2014 are in Attachment 14.

Enersource's debt to equity ratio (S&P basis) is 55.41% as at December 31, 2014. Enersource's debt to equity ratio (MIFRS basis) is 55.74% as at December 31, 2014.

Enersource has net long term debt of $318,137 as at December 31, 2014. Long term debt is comprised of two debentures payable to parent, Enersource Corporation (EC):

(i) Series A Debentures of $110,000 bearing interest at 4.52% per annum. Interest is payable semi-annually. The debenture matures on April 29, 2021.

(ii) Series B Debentures of $210,000 bearing interest at 5.30% per annum. Interest is payable semi-annually. The debenture matures on April 29, 2041.

On June 16, 2015, Enersource executed a credit facility, providing an uncommitted demand revolving facility of up to $50,000, an uncommitted demand revolving letter of credit facility of up to $25,000, and a committed revolving credit facility of up to $60,000 with the option to convert to a non-revolving term credit facility. As of September 30, 2015, Enersource has utilized the $60,000 non-revolving credit facility with interest payable based on a margin relative to the Canadian Dollar Offered Rate (CDOR). A ratio of Consolidated Debt to Total Capital of not greater than 0.75:1 shall be maintained.

The dividend policy of Enersource entitles EC to be eligible for annual non-cumulative dividends of up to 60% of the prior year's MIFRS Net Income.

2. Horizon Holdings Inc. Group of Companies

- Horizon Holdings Inc.

Horizon Holdings Inc.'s ("HHI") audited consolidated financial statements for the year ended December 31, 2014 are in Attachment 15.

HHI has a 100% ownership interest in Horizon Utilities Corporation.

HHI's debt to equity ratio (S&P basis) is 48.34% as at December 31, 2014.

HHI has long term debt of $189,387 as at December 31, 2014. Long term debt principally comprises two senior unsecured debentures:

(i) $40,000 bearing interest at 4.77% per annum. Interest is payable semi-annually. The debenture is unsecured and matures on July 21, 2020.

(ii) $150,000 bearing interest at 3.033% per annum. Interest is payable semi-annually. The debenture is unsecured and matures on July 25, 2022.

Consolidated Funded Obligations are not to exceed 75% of Total Consolidated Capitalization. Additional long term debt comprises a finance lease liability of $458,000 as at December 31, 2015.

Pursuant to a Credit Agreement with the CIBC dated June 30, 2013, HHI may borrow up to $100,000 to finance general corporate requirements, capital investments, and working capital requirements. The Credit Agreement matures on June 30, 2016. Interest rates payable on the Credit Facility are based on a margin relative to the prime or the Banker's Acceptance ("BA") rate, as the case may be, determined by reference to the Corporation's debt rating. Interest is payable monthly.

The Credit Facility requires a Maximum Funded Debt to Capitalization Ratio of not more than 0.75:1.

The dividend policy of the corporation targets regular dividends of up to 60% of MIFRS Net Income.

- Horizon Utilities Corporation

Horizon Utilities Corporation's audited consolidated financial statements for the year ended December 31, 2014 are in Attachment 17.

Horizon Utilities' debt to equity ratio (S&P basis) is 48.59% as at December 31, 2014. Horizon Utilities' debt to equity ratio (MIFRS basis) is 45.03% as at December 31, 2014.

Horizon Utilities has net long term debt of $189,646 as at December 31, 2014. Long term debt principally comprises two promissory notes payable to HHI. Details of the promissory notes payable are as follows:

(i) $40,000 bearing interest at 4.89% per annum. Interest is payable semi-annually. The promissory note is unsecured and matures on July 21, 2020.

(ii) $150,000 bearing interest at 3.033% per annum. Interest is payable semi-annually. The promissory note is unsecured and matures on July 25, 2022.

Additional long term debt comprises a finance lease liability of $294,000 as at December 31, 2014. This liability will be repaid in fiscal 2015.

Pursuant to a Credit Agreement dated June 30, 2013, HHI has made available a revolving line of credit of up to $95,000 to finance general corporate requirements, capital investments, working capital requirements and prudential obligations.

The dividend policy of the corporation targets regular dividends of up to 60% of MIFRS Net Income.

3. PowerStream Holdings Inc. Group of Companies

- <u>PowerStream Holdings Inc.</u>

PowerStream Holdings Inc.'s ("PSH") audited consolidated financial statements for the year ended December 31, 2014 are in Attachment 18.

PSH has a 100% ownership interest in PowerStream Inc.

PSH's debt to equity ratio (S&P basis) is 57.40% as at December 31, 2014.

PSH has net long term debt of $529,718 as at December 31, 2014. All long term debt is held within PowerStream Inc.

The dividend policy of the corporation targets regular dividends of a minimum of 50% of MIFRS Net Income.

- PowerStream Inc.

PowerStream Inc.'s audited consolidated financial statements for the year ended December 31, 2014 are in Attachment 20.

PowerStream Inc.'s debt to equity ratio (S&P basis) is 57.99% as at December 31, 2014. PowerStream Inc.'s debt to equity ratio (MIFRS basis, excluding PowerStream Solar) is 58.79% as at December 31, 2014.

PowerStream Inc. has net long term debt of $529,718 as at December 31, 2014. Long term debt principally comprises two senior unsecured debentures, Promissory Notes, and Deferred Interest:

(i) $200,000 bearing interest at 3.958% per annum. Interest is payable semi-annually. The debenture is unsecured and matures on July 30, 2042.

(ii) $150,000 bearing interest at 3.239% per annum. Interest is payable semi-annually. The debenture is unsecured and matures on November 21, 2024.

(iii) $78,236 Promissory Note issued to the City of Vaughan, bearing interest at 5.58% per annum. Interest is payable quarterly. The Promissory Note is unsecured and matures on May 31, 2024.

(iv) $67,866 Promissory Note issued to the City of Markham, bearing interest at 5.58% per annum. Interest is payable quarterly. The Promissory Note is unsecured and matures on May 31, 2024.

(v) $20,000 Promissory Note issued to the City of Barrie, bearing interest at 5.58% per annum. Interest is payable quarterly. The Promissory Note is unsecured and matures on May 31, 2024.

(vi) $8,743 Deferred Interest on the Promissory Note issued to the City of Vaughan, bearing interest at 4.03% per annum. Interest is payable quarterly. The Deferred Interest on the Promissory Note is unsecured and matures on October 31, 2018.

(vii) $7,585 Deferred Interest on the Promissory Note issued to the City of Markham, bearing interest at 4.03% per annum. Interest is payable quarterly. The Deferred Interest on the Promissory Note is unsecured and matures on October 31, 2018.

Pursuant to a Credit Agreement with TD dated May 8, 2014, PowerStream Inc. has available:

(i) 364 Day Committed Revolving Facility of up to $75,000 to finance capital expenditures, for working capital purposes, and for potential acquisitions.

(ii) Letter of Guarantee Facility of up to $20,000 for Issuance of Letters of Guarantee to the Independent Electricity System Operator and other general Letter of Guarantee needs.

(iii) Uncommitted Demand Operating line of credit of up to $50,000, to finance capital expenditures, for working capital purposes and for potential acquisitions.

The TD Credit Agreement matures on June 30, 2016. Interest rates payable on the 364 Day Committed Revolving Facility are based on prime and payable monthly. Interest payable on the Letter of Guarantee Facility is 0.5% per annum. Interest rates payable on the Uncommitted Demand Operating line of credit are based on a margin relative to the prime rate or the BA rate, payable upon issuance of the loan and quarterly.

The TD Credit Agreement requires a maximum total debt to capitalization ratio of not more than 0.60:1, as well as a minimum interest coverage ratio of 1.25:1.

Pursuant to a Credit Agreement with the BMO dated February 12, 2013, PowerStream Inc. has available:

(i) Committed Revolving Credit Facility of up to $150,000 for general corporate purposes.

The BMO Credit Agreement matures on February 12, 2017. Interest rates payable on the Credit Facility are based on a margin relative to the prime or the BA rate, as the case may be, determined by reference to the corporation's debt rating. Interest is payable upon issuance of the loan and quarterly.

The BMO Credit Agreement requires a maximum total debt to capitalization ratio of not more than 0.60:1, as well as a minimum interest coverage ratio of 1.25:1.

The dividend policy of the corporation targets regular dividends of a minimum of 50% of MIFRS Net Income.

4. Hydro One Brampton Networks Inc.

HOBNI's audited financial statements for the year ended December 31, 2014 are in Attachment 22.

As of August 31, 2015, Brampton Distribution Holdco Inc. has a 100% ownership interest in HOBNI.

HOBNI's debt to equity ratio (S&P basis) is 60.90% as at December 31, 2014. HOBNI's debt to equity ratio (Regulatory basis) is 60.21% as at December 31, 2014.

A $50MM credit facility is currently available but will expire upon the earlier of September 1, 2016 (unless renewed) or the sale of HOBNI as proposed herein.

As of December, 2014, HOBNI had long-term debt, net of deferred transaction costs, of $192,209 payable to Brampton Distribution Holdco Inc. The long-term debt consists of four promissory notes, subject to redemption or repurchase in whole or in part, by the Company before maturity, as follows:

- A $143,000 note issued on November 14, 2001, with an interest rate of 6.95% per annum and a maturity date of June 1, 2032.
- A $20,000 note was issued on September 26, 2011, with an interest rate of 4.41% per annum and a maturity date of September 26, 2041.
- A $20,000 note was issued on January 13, 2012, with an interest rate of 3.22% per annum and a maturity date of January 13, 2022.
- A $10,000 was issued on June 6, 2014, with an interest rate of 4.19% per annum and a maturity date of June 6, 2044.

Pursuant to a Credit Agreement with RBC dated September 1, 2015, HOBNI has available an unused revolving credit facility of up to $50,000 to finance working capital and general corporate requirements. The credit facility will terminate on the earlier of September 1, 2016 (unless renewed) or the sale of HOBNI as described herein.

The RBC credit facility requires a debt to capitalization ratio of not greater than 0.75:1.00 and an EBITDA to interest expense ratio of not less than 2.5:1.00 at the end of each fiscal quarter based on the last 12 months preceding such quarter end.

The Applicants confirm that the debt associated with HOBNI will be eliminated prior to the completion of the consolidation.

Projected Capital Structure on a Pro Forma Basis after Consolidation Completion

Slide 7 of Attachment 3 – Summary of Financing Plan for the Transaction represents the pro forma target capital structure, which is in a range of 60% to 63% of debt in total capitalization assuming full synergies realization. The credit statistics on such slide are consistent with an A-range credit rating**.**

- Principal Terms of Debt Structure/ Dividend Policy

Debt Structure

The debt structure of Holdco, which will translate to LDC Co., comprises/ will comprise:

(i) $625,000,000 acquisition facility in the form of a two-year term loan (the "Acquisition Facility");

(ii) $500,000,000 364-day working capital facility (the "Working Capital Facility"); and

(iii) Establishment of long-term borrowing program through the issuance of senior unsecured debentures under a new trust indenture (the "Debenture Program").

The Applicants have an executed commitment with two large banks for the facilities under (i) and (ii).

Each of the Applicants presently has its own respective trust indenture under which each is able to issue long-term debentures. Such trust indentures are largely compatible with similar terms. The Applicants will commence the establishment of a new trust indenture concurrent with the filing of the MAADs application. It is expected that such trust indenture will be established at the closing of the transaction with corresponding debt issuances within the first three to twelve months following closing. The existing trust indentures of the Applicants continue in LDC Co and may also be a source of liquidity in the event of a delay in establishing the new trust indenture and Debenture Program.

Dividend Policy

The Dividend Policy for voting common shares, as it relates to regulated earnings, targets annual dividends at up to 60% of such earnings computed on a MIFRS basis, except for the PS Solar dividends that accrue only to the former PowerStream Class A shareholders.

Debt Issue/ Debt Covenants

The Acquisition Facility will be drawn upon to provide the initial debt-financing component of the HOBNI acquisition. The principal financial covenant is a 75% Debt: Total Capitalization ratio.

The Working Capital Facility will be drawn upon to provide financing for:

- the prudential requirements of the IESO in the form of Letters of Credit;
- working capital timing differences; and
- bridge financing for the annual capital program of LDC Co.

The principal financial covenant for the Working Capital Facility is a 75% Debt: Total Capitalization ratio.

The Debenture Program will be established to provide long-term financing for the HOBNI acquisition and ongoing long-term regulated and non-regulated investment requirements. The Applicants expect the terms of such program to be usual and customary to large publicly-rated rate-regulated utilities. The expected principal financial covenant is a 75% Debt: Total Capitalization ratio, which is consistent with the principal financial covenant for the existing trust indentures of each of the Applicants.

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FINANCIAL STATEMENTS

Copies of the audited financial statements for the past two most recent years for each Party are contained in the attachments shown below.

- Attachment 13 – Enersource 2013 Consolidated
- Attachment 14 – Enersource 2014 Consolidated
- Attachment 16 – Horizon Utilities 2013 Consolidated
- Attachment 17 – Horizon Utilities 2014 Consolidated
- Attachment 19 – PowerStream 2013 Consolidated
- Attachment 20 – PowerStream 2014 Consolidated
- Attachment 21 – HOBNI 2013 Consolidated
- Attachment 22 – HOBNI 2014 Consolidated

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PRO FORMA FINANCIAL STATEMENTS

A copy of the pro forma financial statements of LDC Co is included as Attachment 23.

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REBASING DEFERRAL PERIOD

The Applicants have chosen to defer the rebasing for LDC Co for ten years from the date of closing of the last of the proposed transactions, consistent with the Consolidation Policy and the Handbook. Accordingly:

(a) the Enersource and HOBNI rate zones would maintain Price Cap Incentive Regulation ("IR") until the end of the ten year rebasing deferral period;

(b) the Horizon Utilities rate zone would remain on Custom IR until 2019 and after that would maintain Price Cap IR until the end of the ten year rebasing deferral period;

(c) the PowerStream rate zone would remain on Custom IR until 2020, assuming approval of the PowerStream application for a 2016-2020 Custom IR term pending before the Board, and beyond that term the PowerStream rate zone would maintain Price Cap IR until the end of the ten year rebasing deferral period; and

(d) During the rebasing deferral period, LDC Co may apply for rate adjustments using the Board's ICM as may be necessary and in accordance with applicable Board policies with respect to eligibility for, and the use of, the ICM.

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EARNINGS SHARING MECHANISM (“ESM”)

The Applicants have identified in Exhibit B, Tab 2, Schedule 1, for years six to ten of the rebasing deferral period an ESM proposed by the Applicants that is consistent with the Consolidation Policy. Consequently, LDC Co may be subject to an ESM-related rate adjustment after year six following the completion of the consolidation.

Earnings in excess of 300 basis points above the Board’s established regulatory return on equity (“ROE”) for the consolidated entity would be divided on a 50/50 basis between LDC Co and its ratepayers. The ratepayer share of earnings will be credited to a newly proposed deferral account, for clearance at the next applicable annual IRM application filing. For example, if LDC Co over-earned in year six post consolidation, it would report the balance in the deferral account in the year eight IRM application which would be filed in year seven, and refund 50% of this balance to ratepayers over the twelve months commencing January 1 of year eight.

The regulatory net income will be calculated, for the purpose of earnings sharing, in the same manner as net income for regulatory purposes under the RRR filings. The Applicants expect that it will exclude revenue and expenses that are not otherwise included for regulatory purposes, such as, but not limited to:

- The settlement of any regulatory assets/liabilities including the lost revenue adjustment mechanism (“LRAM”);
- Changes in taxes/PILs to which Account 1592 applies, which will be shared through that account rather than through earnings sharing;
- Horizon Utilities-zone related Rate of Return on Stranded Meters at the short term debt rate of 2.11%;
- Revenue collected from any ICM recovery rate riders;
- Rate of Return on Monthly Billing capital and operating implementation costs should LDCs be permitted to recover these costs from ratepayers; and
- Donations.

For the purpose of the ESM calculation, the nature and timing of revenues, expenses, and costs will be consistent with the regulatory rules in effect at the end of the rebasing deferral period for the calculation of revenue requirement on a cost of service basis. By way of example, this means that Horizon Utilities' one-time costs related to its 2015-2019 Custom IR application will be amortized over the 2015-2019 period. By way of further example, it is expected that the cost of debt shall be calculated based on the deemed debt ratio of 56% long term debt and 4% short term debt, and PILs shall be recalculated from actual to reflect the adjusted amount of deductible debt costs, and the adjusted net income for regulatory purposes subject to tax.

For clarity, LDC Co would begin reporting on the ROE outcome for ESM purposes commencing in year seven post consolidation, when audited results for year six are available.

OTHER RELATED MATTERS

(a) Implementation of New or Extension of Existing Rate Riders

Please refer to Exhibit B, Tab 2, Schedule 1 for: i) the schedules of the existing rate riders for each of the Parties; and ii) the treatment of rate riders for LDC Co.

(b) Transfer of Rate Orders and Licences

Please refer to Exhibit B, Tab 2, Schedule 1, OEB Approvals Sought, for the request to transfer the rate orders and licences of the Parties to LDC Co.

(c) Licence Amendment and Cancellation

Please refer to Exhibit B, Tab 2, Schedule 1, OEB Approvals Sought, for the request to cancel the existing licences and create a new licence for LDC Co.

(d) Deferral and Variance Accounts

Please refer to Exhibit B, Tab 2, Schedule 1, for the request to continue to track costs to the deferral and variance accounts currently approved by the OEB for the Parties.

(e) Specification of Accounting Standards

All of the Parities have adopted IFRS.

The Parties currently prepare their financial statements under IFRS; LDC Co will also be preparing its financial statements under IFRS.

LDC Co will utilize MIFRS for regulatory accounting purposes, consistent with OEB policy.