



July 8, 2016

VIA COURIER AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli,

Re: Board File No. EB-2016-0025 - Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, PowerStream Inc. and Hydro One Brampton Networks Inc. – Application for Approval of Consolidation under Section 86 of the Ontario Energy Board Act, 1998 and related relief.

Please find attached the presentation delivered by Enersource Hydro Mississauga Inc., Horizon Utilities Corporation and PowerStream Inc. to the Ontario Energy Board Panel on Presentation Day, June 23rd, 2016.

Sincerely,

Original signed by

Indy J. Butany-DeSouza, MBA
Vice President, Regulatory Affairs
Horizon Utilities Corporation

c: G. DeJulio, Enersource
C. MacDonald, PowerStream
F. Cass, Aird & Berlis
J. Sidlofsky, BLG



OEB Presentation Day

LDC Co MAADs Application (EB-2016-0025)

June 23, 2016



Agenda

- Overview
- Operational
- Financial
- Application



OVERVIEW



Largest Voluntary Consolidation to Date

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HAMILTON SPECTATOR

Mar 24, 2016 | Vote 0 0 0

Hamilton, St. Catharines mayors sign agreement creating second largest electricity distributor in Ontario

Stoney Creek News
By Kevin Werner

A proposed utility merger involving four hydro companies, plus six southern Ontario municipalities is expected to lower hydro rates to customers, while also earning higher revenues to the cities involved, says the Ontario energy minister.

RELATED STORIES

- New utility company looking to...
- Hamilton council approves Horizon...
- St. Catharines council approves...
- Proposed Horizon Utilities merger...
- Proposed Horizon Utilities merger...

"Amalgamation has been going on because it just makes sense," said Bob Chiarelli, Ontario's energy minister. "The experience has been that this has happened (before) providing better services and lower cost. That's the best guarantee you are going to get."

Hamilton Mayor Fred Eisenberger signs merger agreement
By Kevin Werner, HCN
Hamilton Mayor Fred Eisenberger signs merger agreement creating the second largest electricity distributor company in Ontario. Looking on is Mississauga Mayor Bonnie Crombie.



The OEB's No Harm Test

- The principal test is “No Harm”:

“To demonstrate “no harm”, applicants must show that there is a reasonable expectation based on underlying cost structures that the costs to serve acquired customers following a consolidation will be no higher than they otherwise would have been.”

- The OEB considers the No Harm Test in the context of certain of its objectives under section 1 of the *Ontario Energy Board Act, 1998*:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.

- 1.1 To promote the education of consumers.

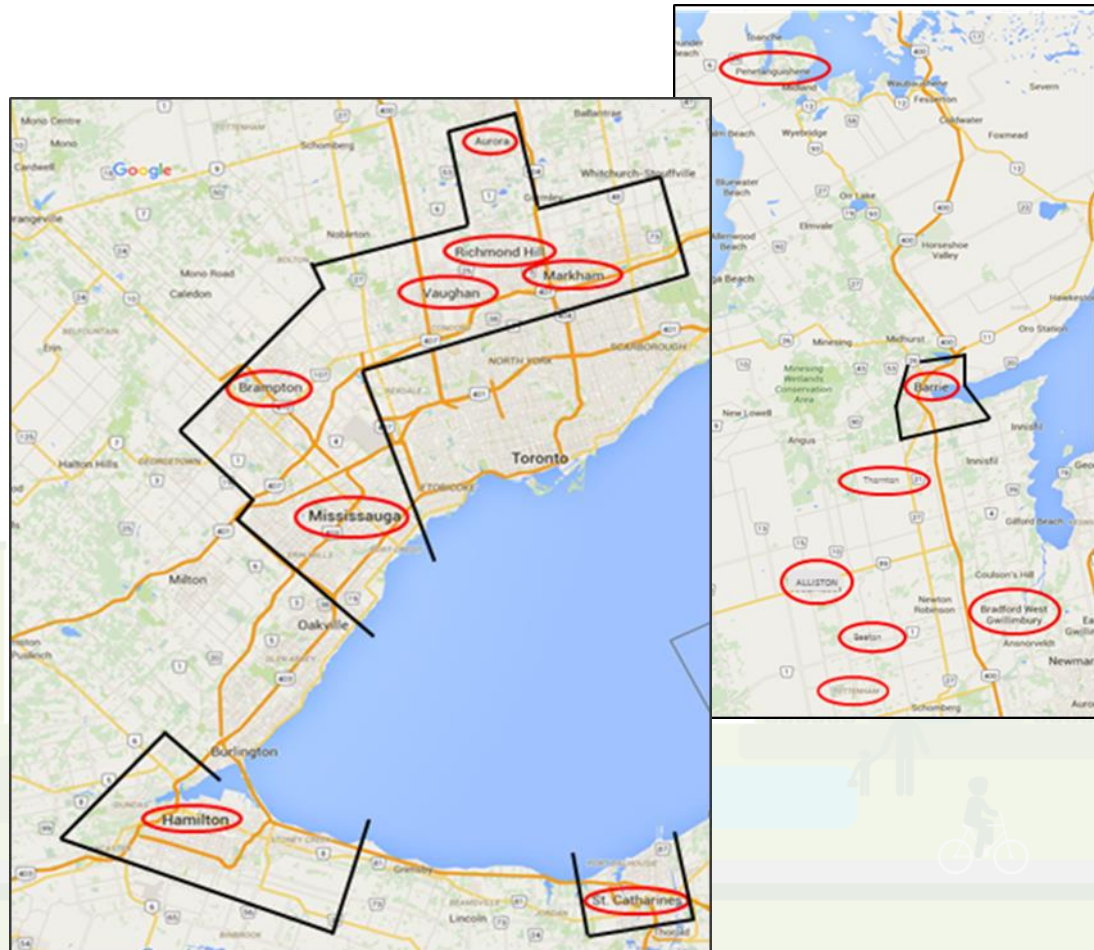
2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

Customer Value Creation

- The consolidated utility will be focused on reducing operating expenditures and improving productivity through enhanced utilization of existing assets
- It expects to maintain or improve overall service levels of its predecessor utilities through the implementation of new technologies and adoption of best work practices
- Customers 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

Serving Customers across the Greater Golden Horseshoe

Geographic diversity provides resource options when issues, such as weather, affect one area but not all of the others



Key Consolidation Facts

- Customer Scale
 - 950,000
- Rate Base
 - \$2.5 billion
- Service Territory
 - 1,800 sq. km
 - 19,000 km of line
 - 12,900 km of underground line
- Energy and Capacity
 - 24,000 GWh (2014)
 - 4,000 MW peak (avg. [coincident] 2014)
- Reliability
 - SAIDI of 1.16 – LDC sector average is 1.49 (2014)

Strong and Diverse Customer Base

Major Industry:	Arcelor Mittal Dofasco, Bunge, General Motors, National Steel Car, Canada's Wonderland, US Steel, Wolf Steel, Georgian Int'l., Transcom, Honda, Hyundai, Honeywell ACS, Chrysler, Unilever, Coca-Cola, CRH plc, Suncor, PepsiCo
Head Offices:	Mattel, Kellogg, General Mills, Hewlett-Packard, Microsoft, Wells Fargo, Walmart, IBM
Major Hospitals:	Hamilton – General, McMaster, Juravinski Cancer, St. Joseph's, Joyce Children's; St. Catharines – Niagara Health; Mississauga – Credit Valley and Trillium; Barrie – Royal Victoria; Richmond Hill – Mackenzie Health; Markham – Markham Stouffville; Brampton – Civic and William Osler
Universities and Colleges:	Brock, Georgian, Mohawk, McMaster, Seneca, Sheridan, University of Toronto (Mississauga Campus)
Ports and Airports:	Hamilton Port Authority, Munro Hamilton, Toronto Pearson, Lake Simcoe Regional, Brampton, Collingwood, Buttonville, Markham, St. Catharines Niagara

OPERATIONS



Effectively Leveraging Existing Facilities

Hamilton

LDC Office

- Network Services
- Network Operations
- Customer Services
- M&A Business Development

Mississauga

Corporate Office

- Finance
- Internal Audit
- General Counsel
- Corporate Relations
- Regulatory Affairs

Vaughan

Sustainability & Innovation Office

- Information Technology
- Human Resources
- Supply Chain Management
- CDM & Renewable Generation
- Energy Services

Back Office Functions Rationalized

Centralized Utility Functions

Corporate
Finance
Human Resources
Regulatory Affairs
Information Technology
Procurement
Asset Management & Engineering
Services

De-centralized Utility Functions

Facilities (Property)
Logistics
Fleet Services
Metering
Customer Service
Construction
Control Room (Day only)*

- Centralized services are those not directly tied to location of customers served; generally back office functions
- De-centralized services are those primarily tied to location of customers served

**Back up Control Room will operate during the day only*

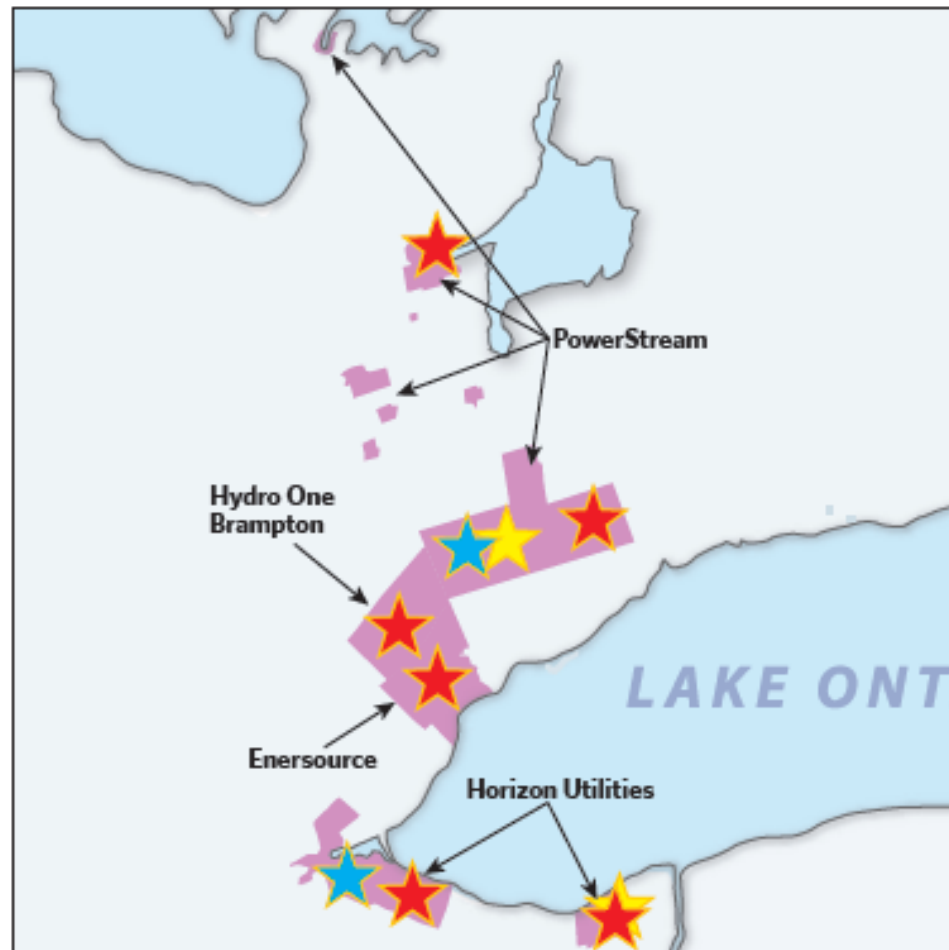
Crews Remain in Close Proximity to Serve Customers

- Six service centres maintain geographic responsiveness:
 - Barrie
 - Brampton
 - Hamilton
 - Markham
 - Mississauga ✦
 - St. Catharines ✦



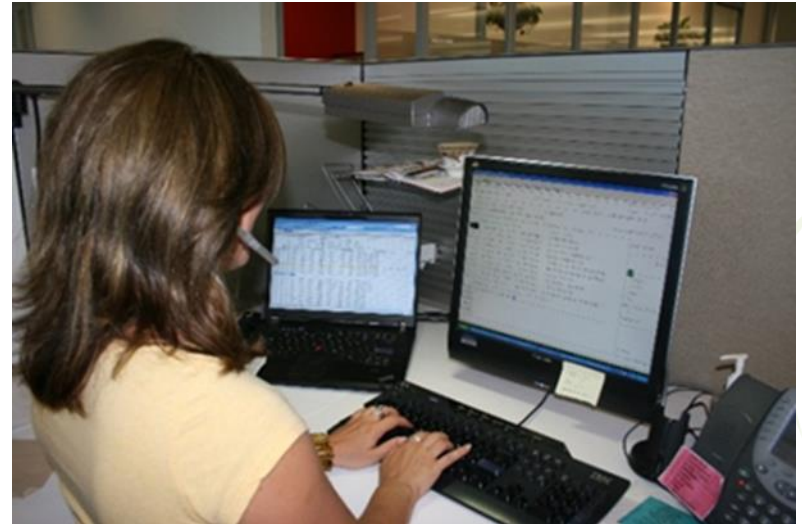
Efficient Use of Locations to Best Serve Customers

- ★ Service Centres
- ★ Call Centres
- ★ Control Rooms



Customer Experience

- We will continue to plan for a seamless customer experience (e.g., website, social media, telephone, bill presentment)
- Four call centres on Day One
- Transition to two call centres
 - Vaughan
 - St. Catharines

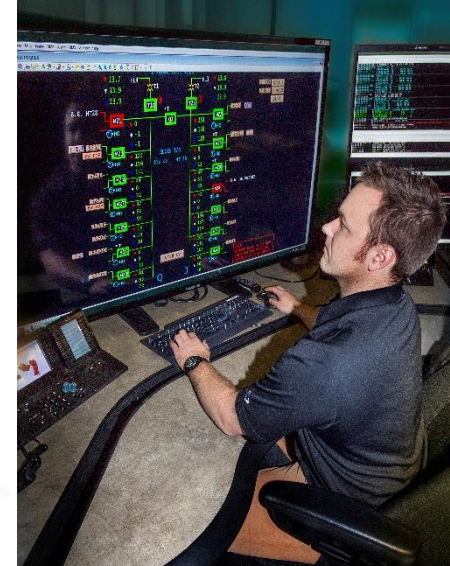


Integration of Key Information Systems

- Customer Information System (“CIS”) (customer data, meter data, billing)
- Enterprise Resource Planning (“ERP”) (financial reporting, management of inventory, fleet & facilities, crew scheduling)
- Geographic Information System (“GIS”) (distribution system mapped to land base)

Maintaining Reliability and Service Quality

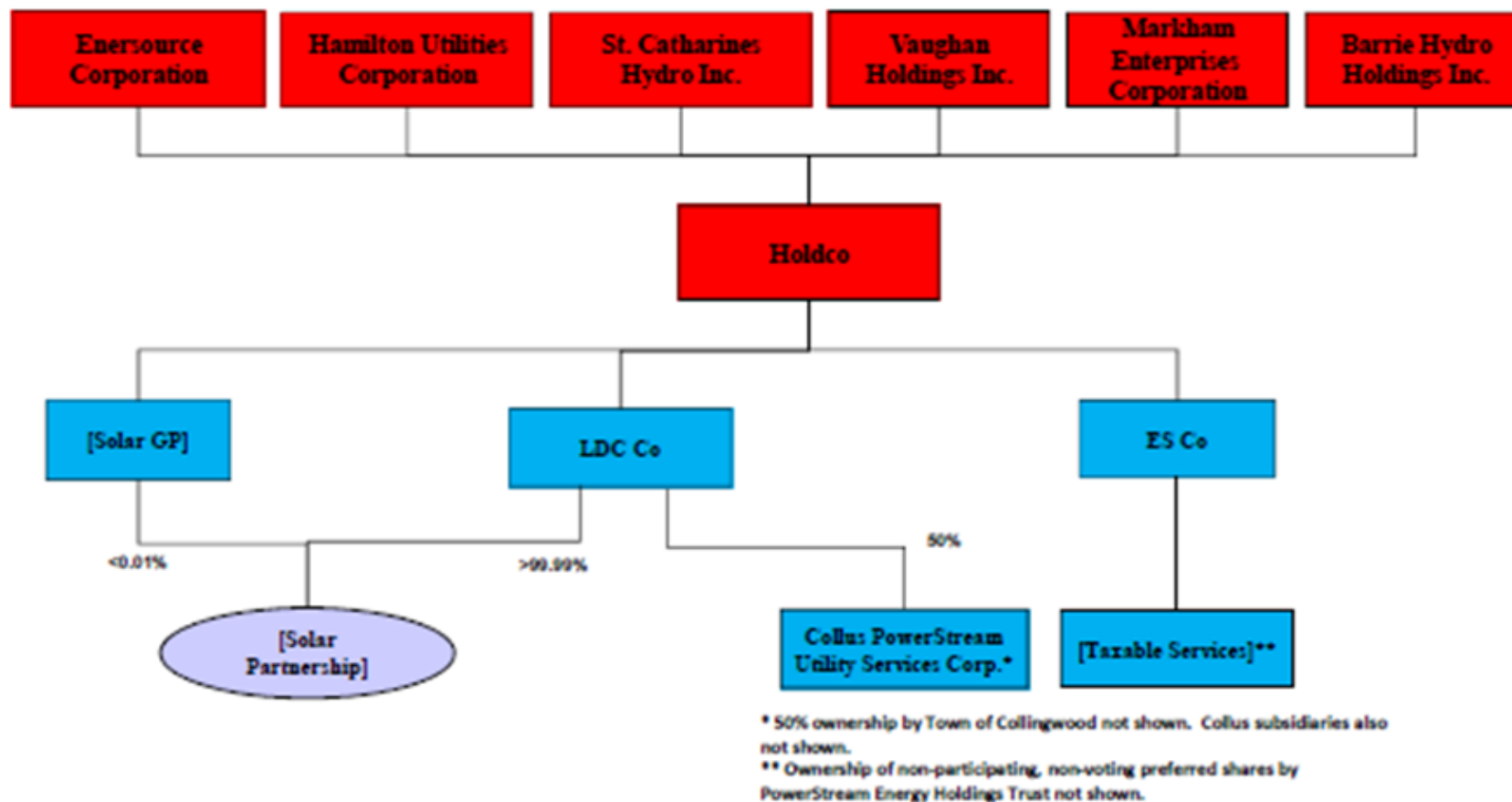
- All four control rooms will operate as is on Day One
- Transition to two Control Rooms
 - Hamilton
 - Vaughan
- Transition will take some time – approximately 12 months
- Dependent on system integration and training
- Safety remains a prime focus



FINANCING



New Corporate Structure



Financing of the Transaction

LDC Co intends to:

- Enhance customer value through lower distribution rates compared to the *status quo* of rebasing and step increases per the current schedule for each of the four LDCs
- Have cost effective liquidity to support investment objectives
- Sustain A-range credit rating

Approach to Acquisition Financing:

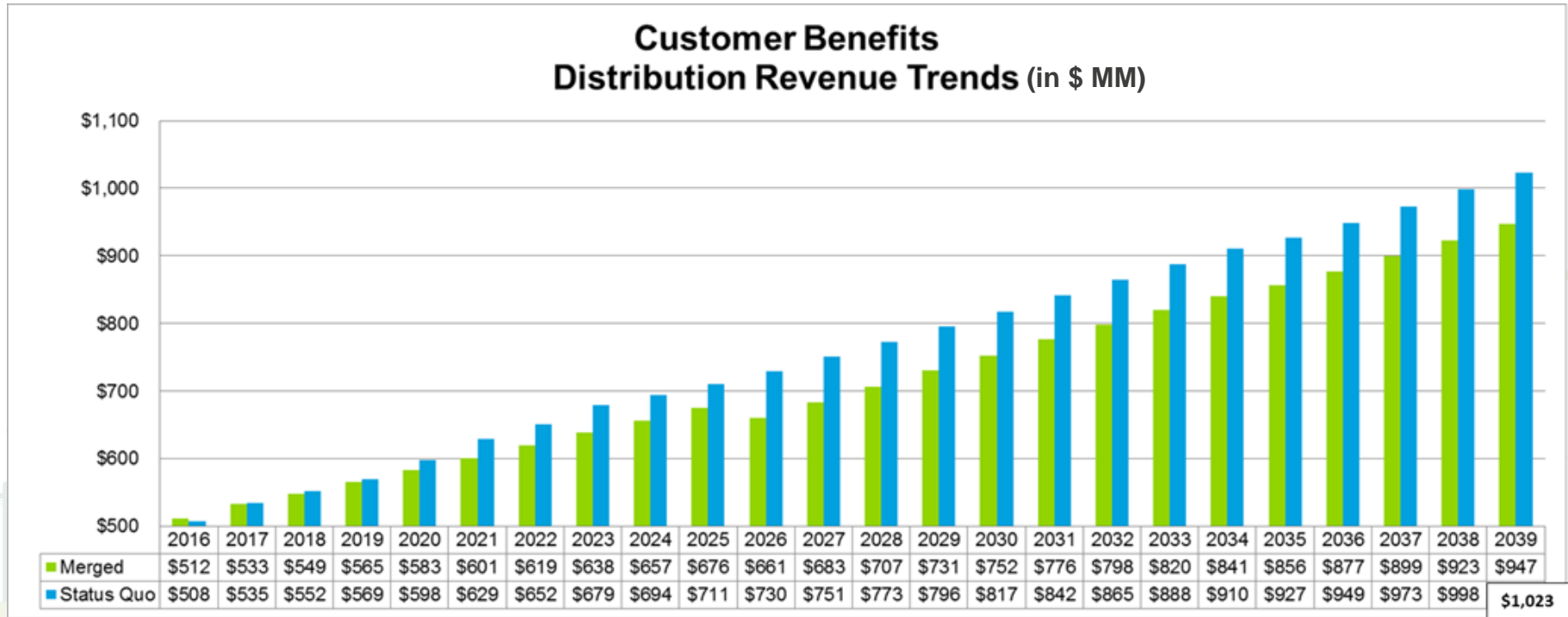
- Short-term financing commitment for Hydro One Brampton Networks Inc. (“HOBNI”) acquisition for \$607MM
- Some contribution of capital by certain shareholders to maintain a prudent capital structure

Synergies

LDC Co will have total net operating savings, relative to the *status quo*, of approximately \$426MM by Year 10

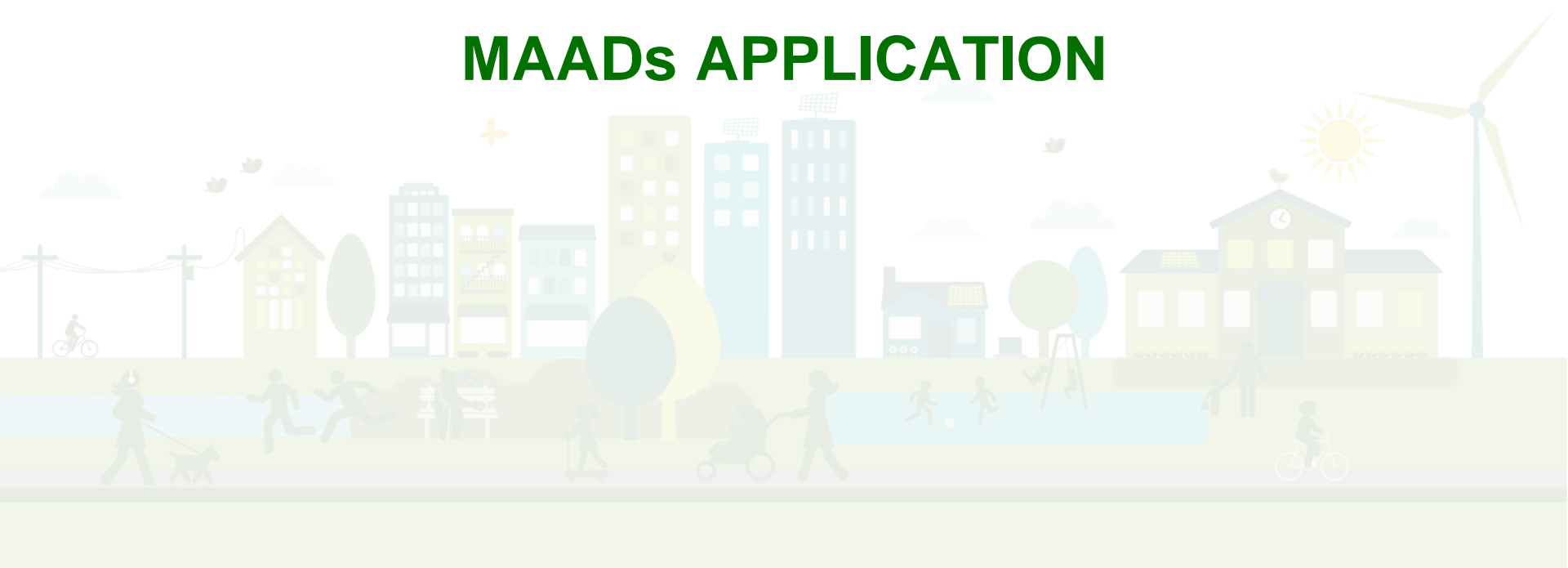
(\$MMs)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Gross Synergies											
Operating	7.2	20.1	31.7	40.6	42.5	42.5	42.5	42.5	42.5	42.5	354.6
Capital	23.0	22.6	28.8	23.2	30.0	8.0	8.0	8.0	8.0	8.0	167.6
Total Synergies	30.2	42.7	60.5	63.8	72.5	50.5	50.5	50.5	50.5	50.5	522.2
Transition Costs											
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

Customer Benefits



- Customers save \$48.6 million per year over 25 years vs. *status quo*
- Blue bars show *status quo* / Green bars merger with savings

MAADs APPLICATION



MAADs Application and Outcomes

Application

- The Application is for:
 - the amalgamation of Enersource, Horizon Utilities and PowerStream;
 - the acquisition of HOBNI; and
 - the transfers of Enersource, Horizon Utilities, PowerStream and HOBNI distribution systems, licences and rate orders to LDC Co

Outcomes

- No harm to customers as a result of the proposed consolidation
- Deferred rebasing period of ten years post consolidation
- Proposed Earnings Sharing Mechanism (“ESM”) for years six to ten of the rebasing deferral period
- Customers will be better off both during and after the rebasing deferral period than as compared to the *status quo* of four stand alone utilities
- LDC Co will be financially viable following the consolidation

Summary

- The consolidated utility will be focused on reducing operating expenditures and improving productivity through enhanced utilization of existing assets
- It expects to maintain or improve overall service levels of its predecessor utilities through the implementation of new technologies and adoption of best work practices
- Customers 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

Questions and Answers

