Project TITAN

Financial Results Overview

CONFIDENTIAL

Principles/ Objectives

- Cost effective liquidity to support growth objectives;
- Sustain A-range rating;
- Enhance customer and shareholder value through:
  - Lower distribution rates for customers than the status quo;
  - Higher income/ dividends for Shareholders than the status quo.

Key Assumptions

- Financial model forecast from 2015 through 2039
  - Merger from 2016 onward
- No re-basing until 2026;
- MergeCo takes advantage of ICM in each year:
  - Regulatory risk of recovery;
  - Untested approach in context of merged entity;
- 70% debt financing of HOBNI acquisition;
- Dividend Policy “up to” 60% of MIFRS Net Income;
- All NPV amounts use discount rate of 9.30%
- Income trends are presented on an MIFRS basis

Relative Valuation

PowerStream	46.0%
Enersource	31.0%
Horizon Utilities	23.0%

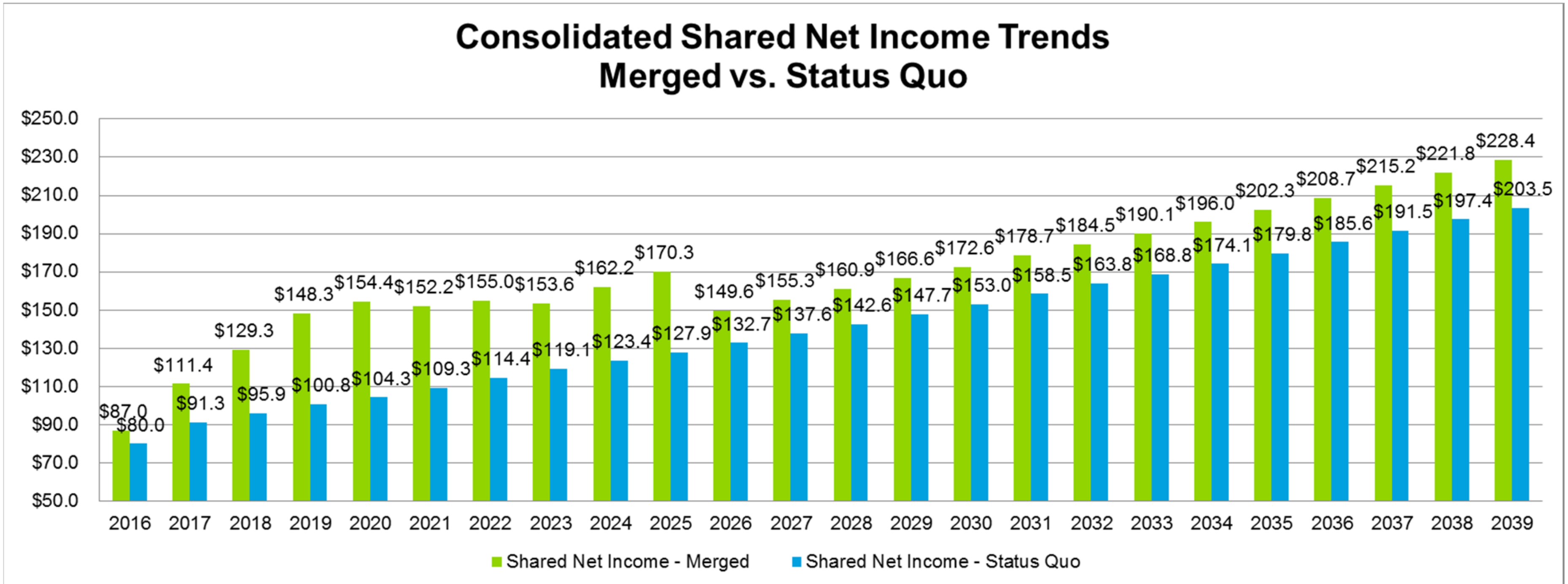
- Includes regulated and non-regulated assets
- Excludes PowerStream Solar/PV portfolio
- Relative valuations based upon Enterprise Value approach
  - Calculated using a discounted cash flow (DCF) forecast model

Shareholder Benefits Overview

- MergeCo provides **higher net income**
  - NPV of Incremental Net Income shared by parties is $276MM over status quo
- MergeCo provides **higher dividends**
  - NPV of Incremental Dividends due to merging is $220MM
- **Dividend Policy** adjusted for all entities to **“up to” 60%** of MIFRS **Net Income** after tax.

MergeCo Provides Higher Net Income

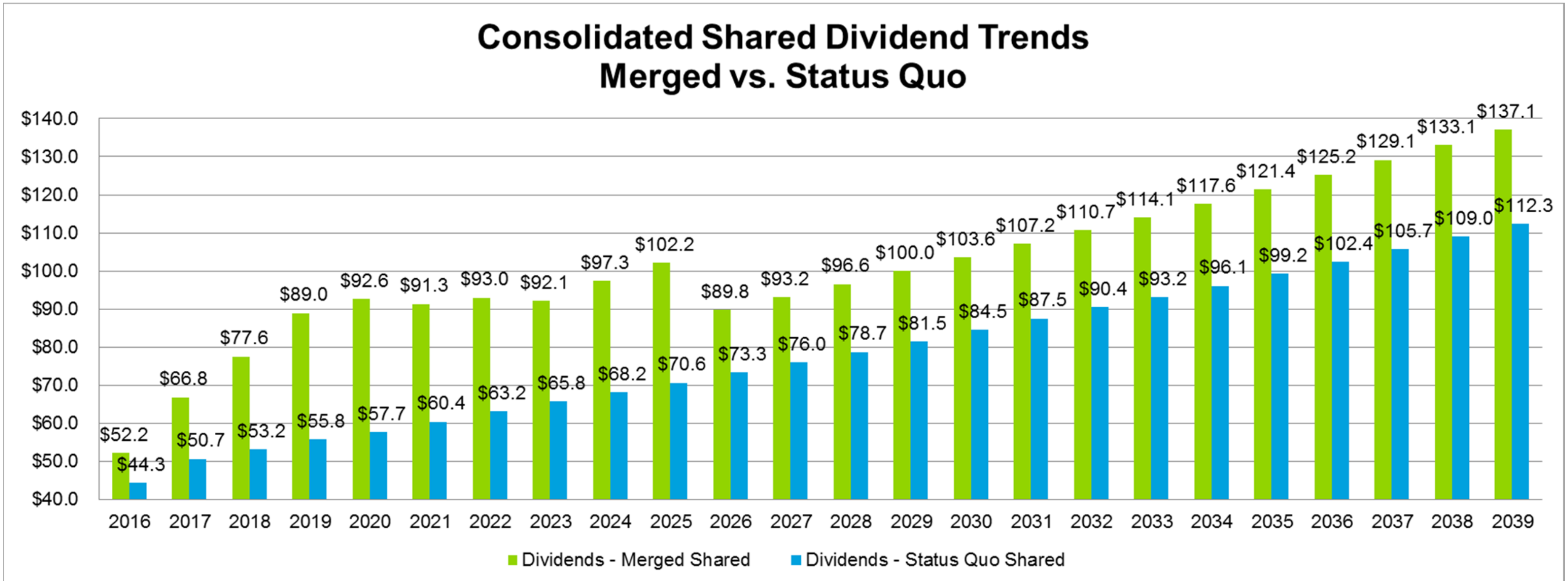
- NPV of Net Income for 2016 through 2039 is $1,430MM
  - Stand-alone NPV of Net Income is $1,154 million



- ➢ Merged Net Income is higher during re-basing deferral period as a result of purchased HOBNI net income plus capital and operating synergies;
- ➢ Merged Net Income is higher post re-basing as a result of contribution of HOBNI income partially offset by lower ongoing capital expenditure requirements and resulting lower rate base

MergeCo Provides Higher Dividends

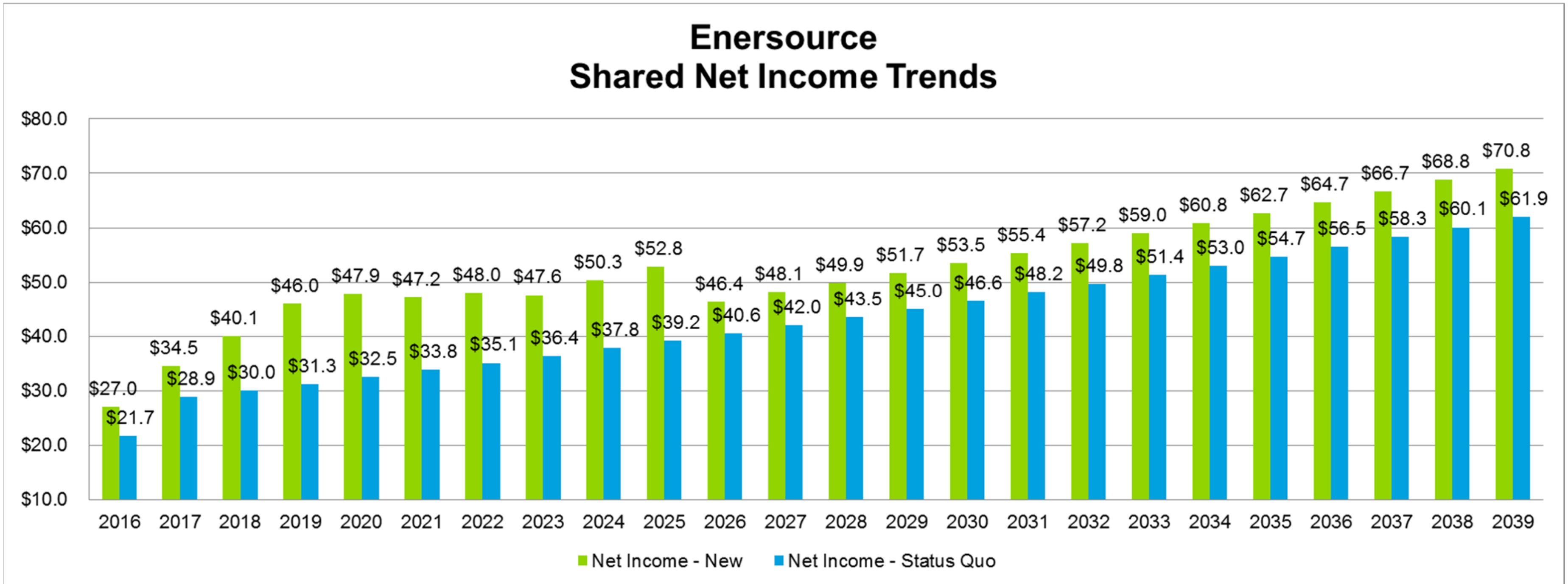
- NPV of dividends for 2016 through 2039 is $858 million
  - Stand-alone NPV of dividends is $637 million



➢ Merged Dividends are higher as a result of:

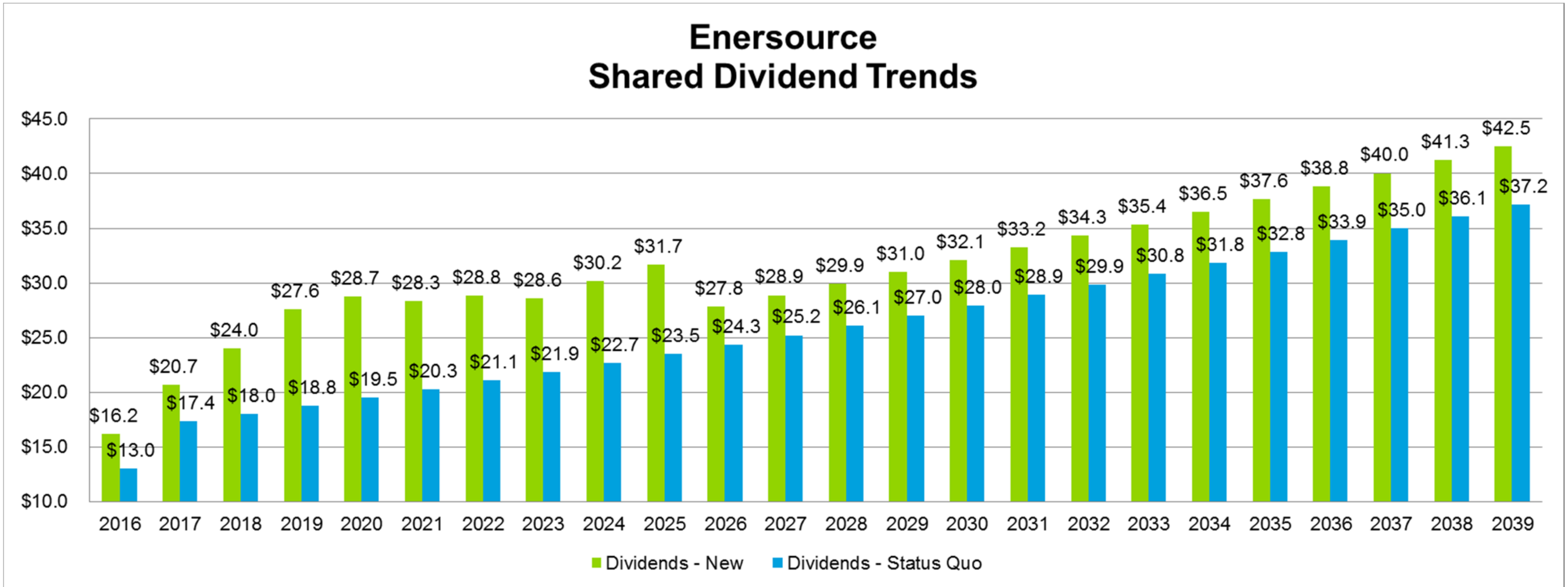
- Net income from HOBNI purchase
- Capital and operating synergies through re-basing deferral period;
- Use of cash taxes as a basis for MIFRS tax expense and income (HU);
- Partially offset by reduction in Net Income resulting from lower CapEx and Rate Base

Net Income and Dividend Trends



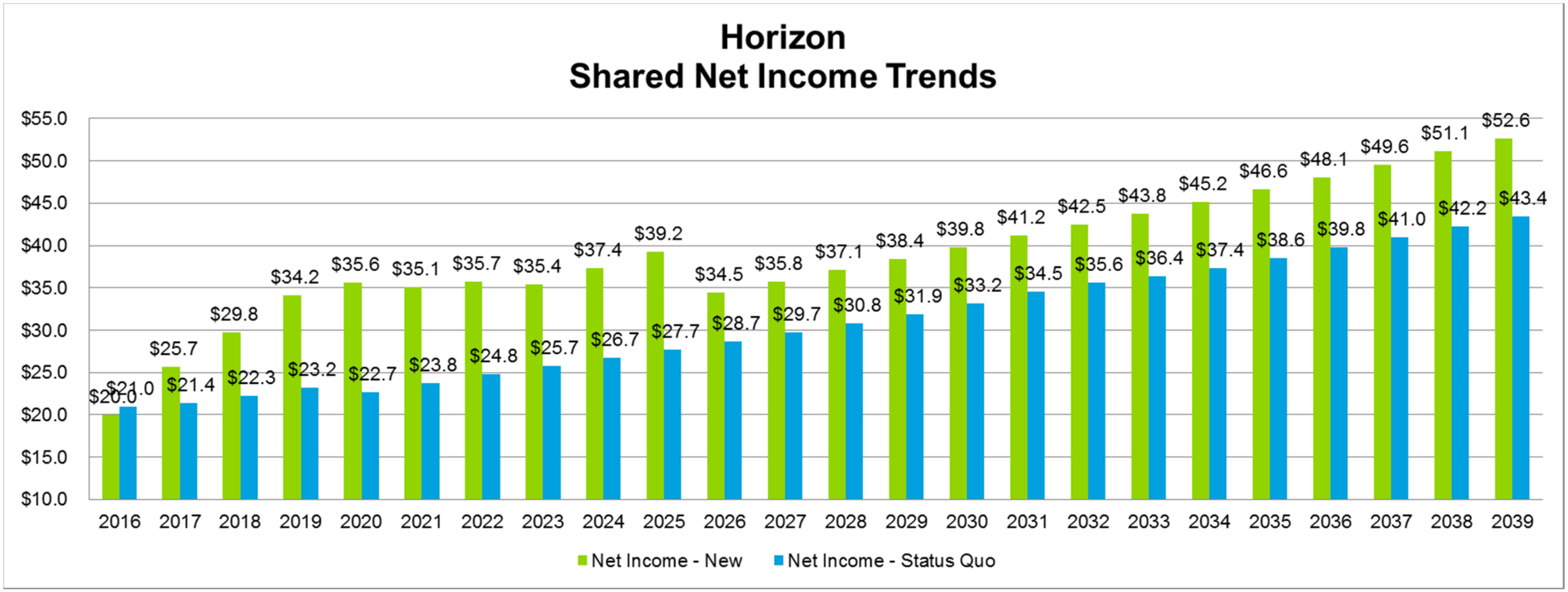
- Increase in NPV net income of $91MM, or 26% over Status Quo;

Net Income and Dividend Trends



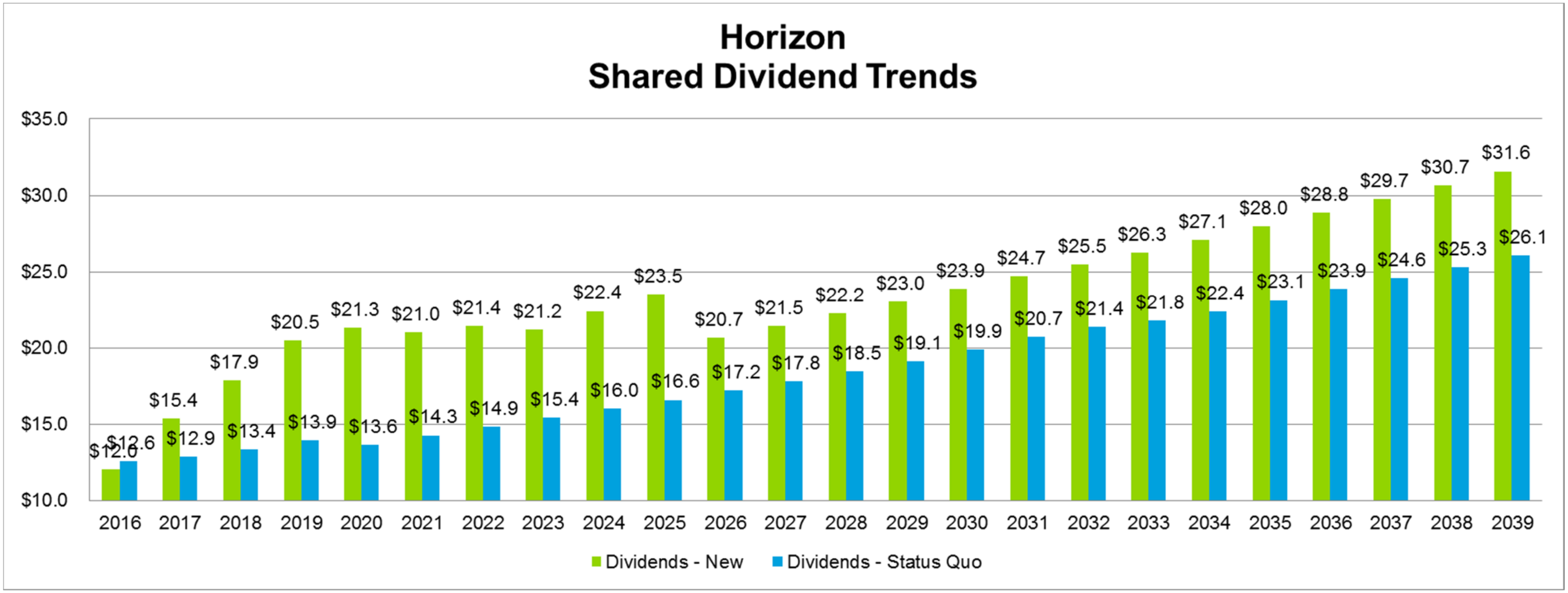
- Increase in NPV dividends of $55MM, or 26% over Status Quo;
- Average increase in dividends of $5.5MM across forecast period;

Net Income and Dividend Trends



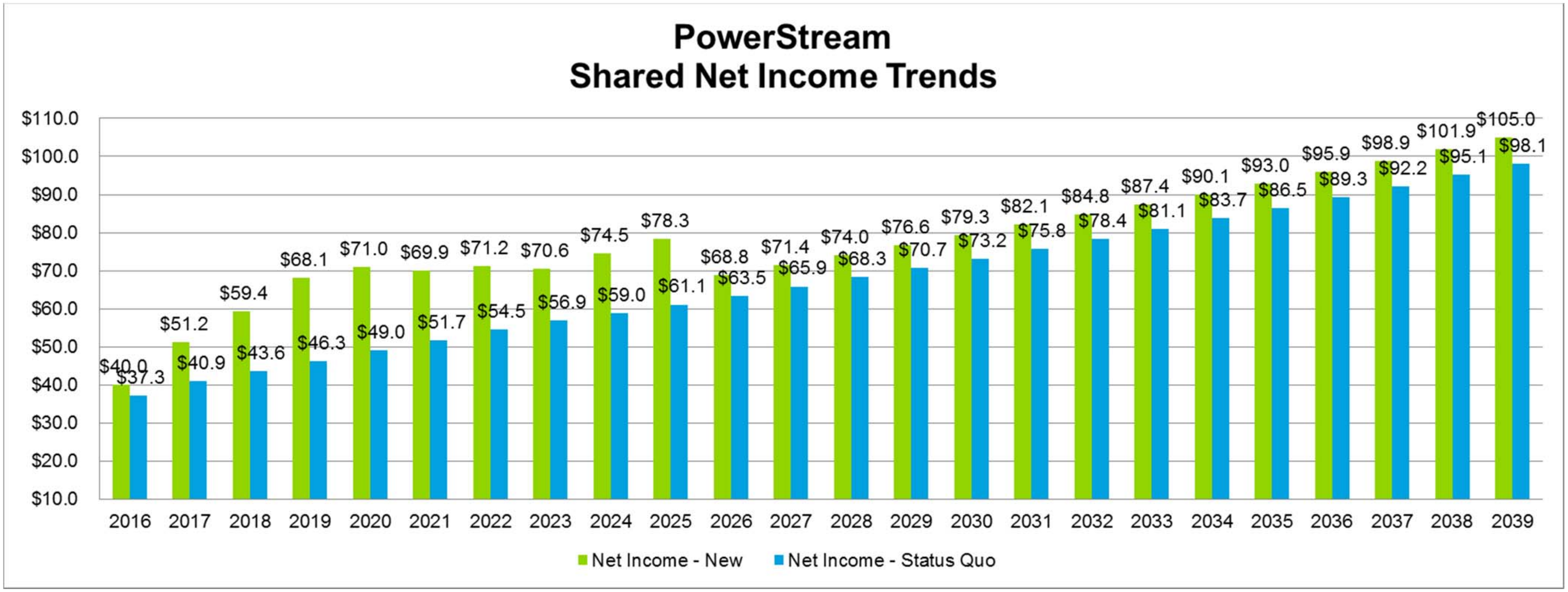
- Increase in NPV net income of $73MM, or 29% over Status Quo;
- Part of increase due to conformance of calculation of MIFRS income

Net Income and Dividend Trends



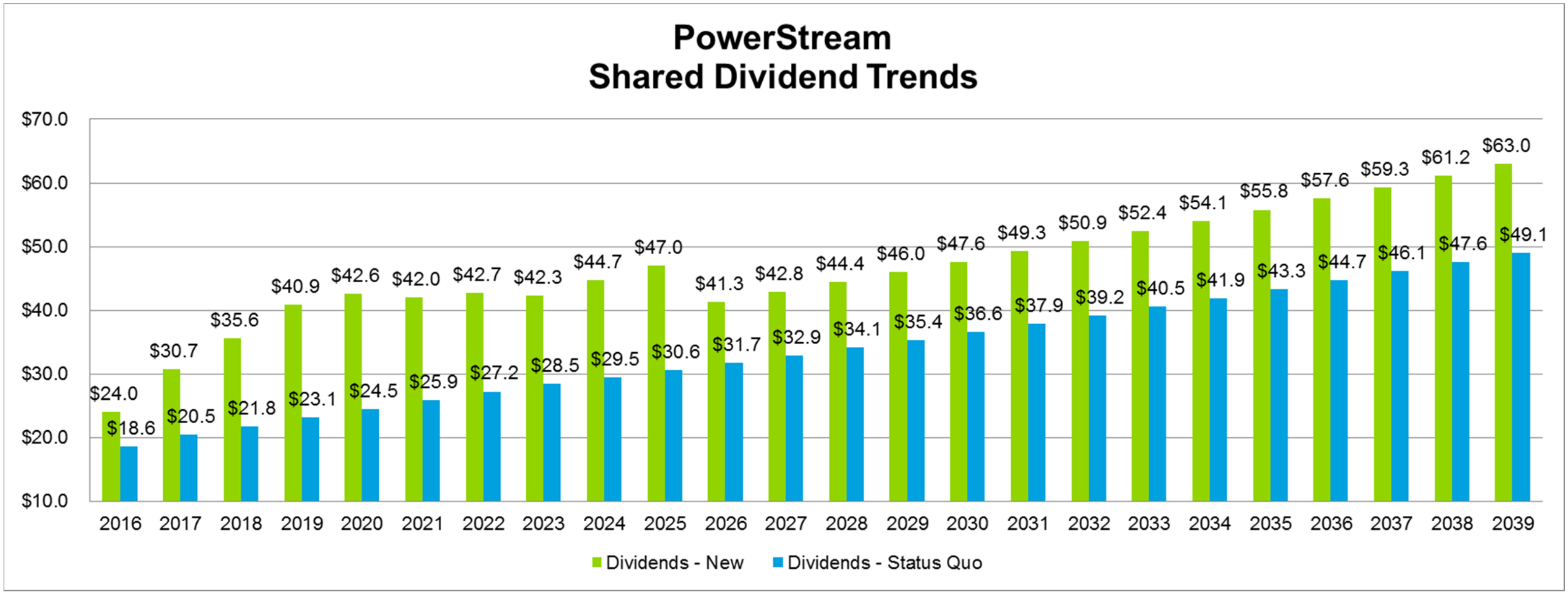
- Increase in NPV dividends of $44MM, or 29% over Status Quo;
- Average increase in dividends of $4.8MM across forecast period;
- Part of increase due to conformance of calculation of MIFRS income

Net Income and Dividend Trends



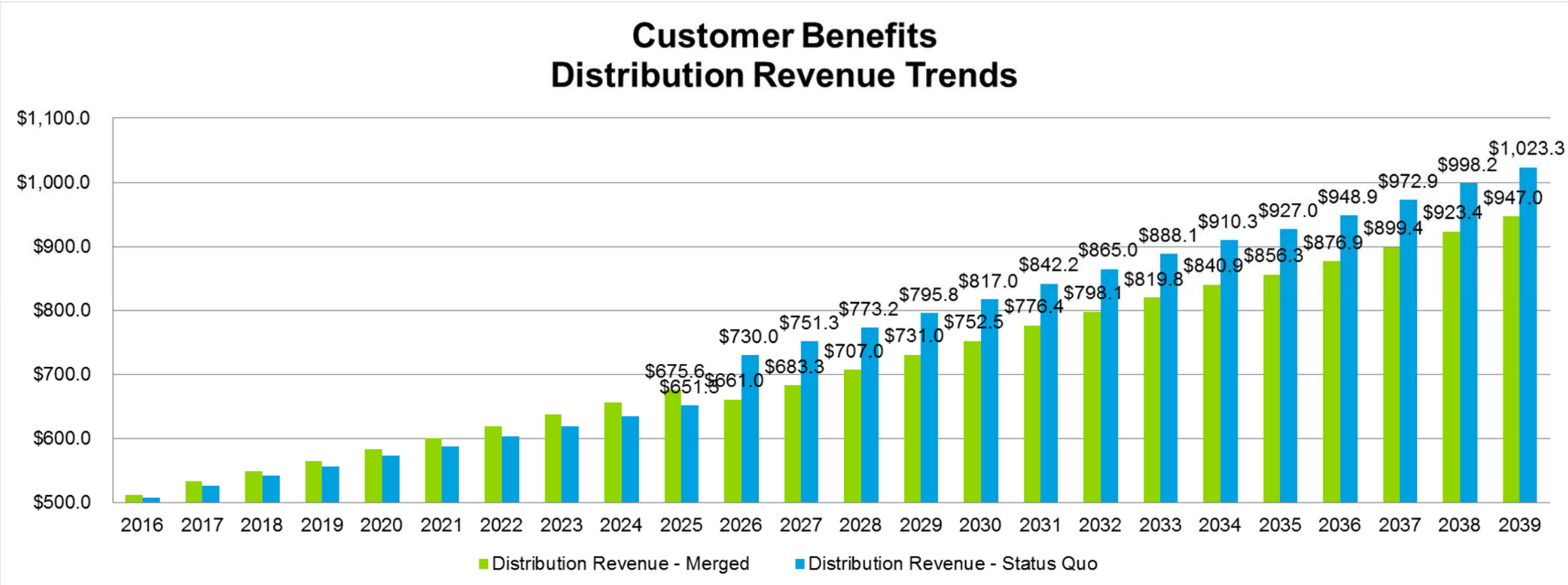
- Increase in NPV net income of $112MM, or 21% over Status Quo;

Net Income and Dividend Trends



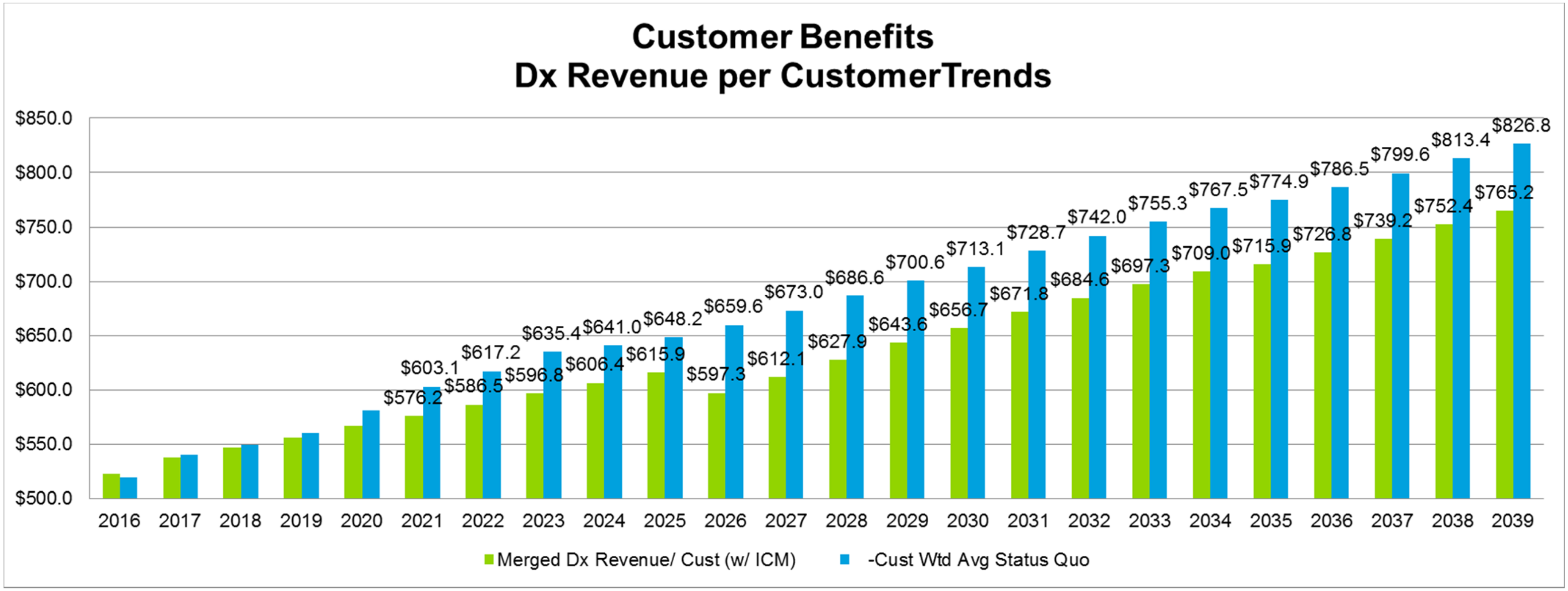
- Increase in NPV dividends of $121.7MM, or 45% over Status Quo;
- Average increase in dividends of $12.8MM across forecast period;
- Part of increase due to change in PS dividend policy from up to 50% rate to up to 60% rate.

Customer Benefits – Rate Revenue



- Average annual Dx Revenue across forecast period:
  - Status Quo - $765.5MM; merged down to $716.9MM
- Average decrease of $48.6MM or 6.4% across forecast period;
- Average decrease of $19.5MM or 3.3% in the first 10 years;
- Average decrease of $69.3MM or 8.0% post re-basing (2026)

Customer Benefits – Rate Revenue



- Average annual Dx Revenue per Customer across forecast period:
  - Status Quo - $680
  - Merged - $638
- Average reduction of $42 or 6.2% across forecast period
- Average decrease of $59 or 8.0% post-rebasing (2026)
- Aggregate community benefit of $69.3MM/ year post-rebasing

Merger 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

- Gross OM&A expense reductions of $355MM
  - ~14% of OM&A over 10 years and approximately and ~15%/yr thereafter
- Capital investment reductions of $168MM over 10 years
- Transition costs of $96MM
- Total cash savings of $426MM over forecast period (pre-tax)

Regulatory Strategy

- OEB recently announced new policy regarding mergers and acquisitions for utilities:
  - Shareholders continue to benefit from all synergies for initial five years and, for years six through ten, must share half of earnings above 300 basis points (or 3%) above regulated rate of return
  - May apply for annual incremental capital module (ICM) rate to compensate for ongoing capital investments above certain thresholds
- MergeCo will apply for ICM rate when thresholds are met
- Model suggests deferring rebasing application for full ten years

Opportunities & Risks

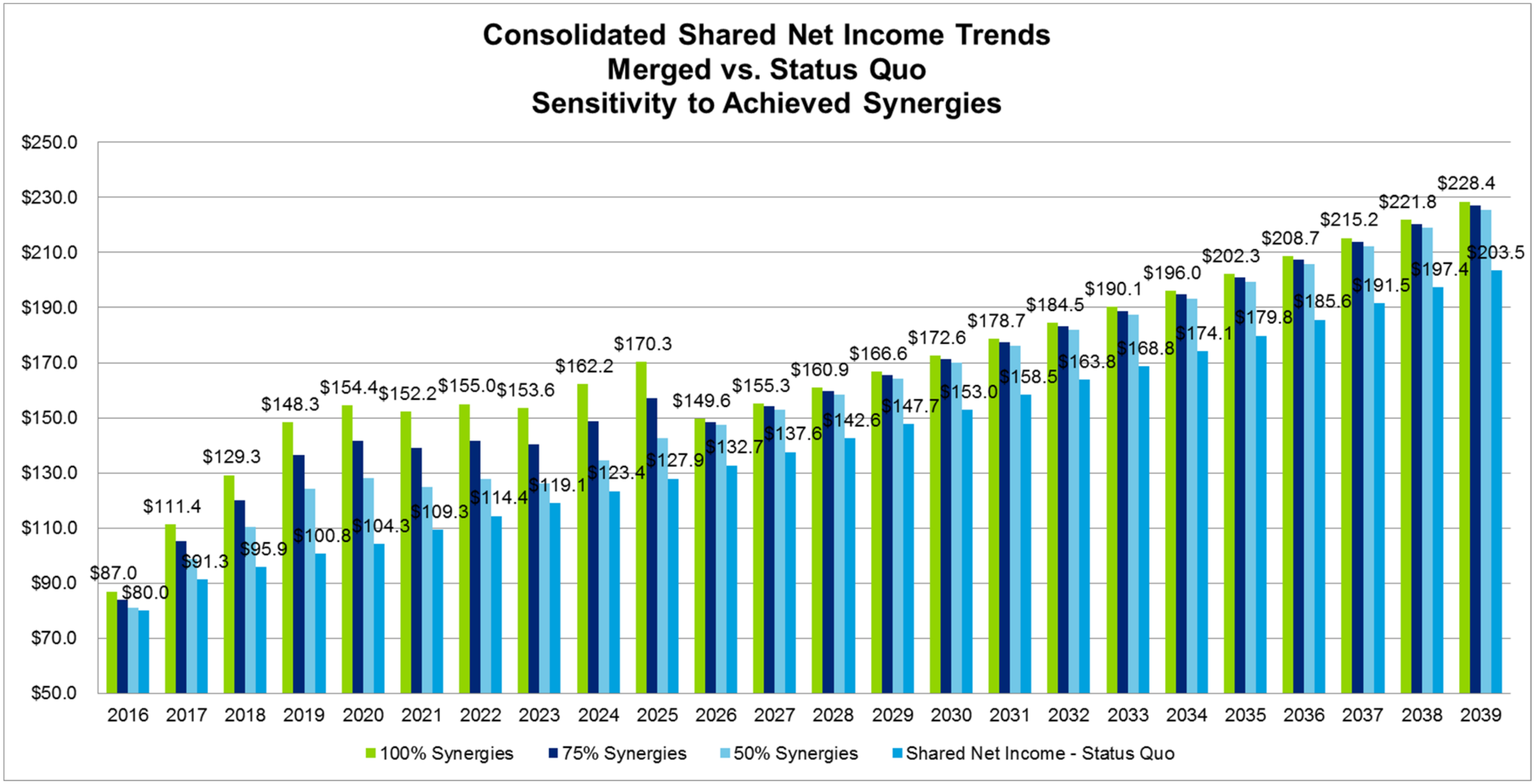
Opportunities:

- Achieve purchase price reductions for HOBNI shares
- Interest costs for HOBNI share purchase during bridge period significantly lower than 4% assumed in model
- Greater synergies than planned are achieved

Risks:

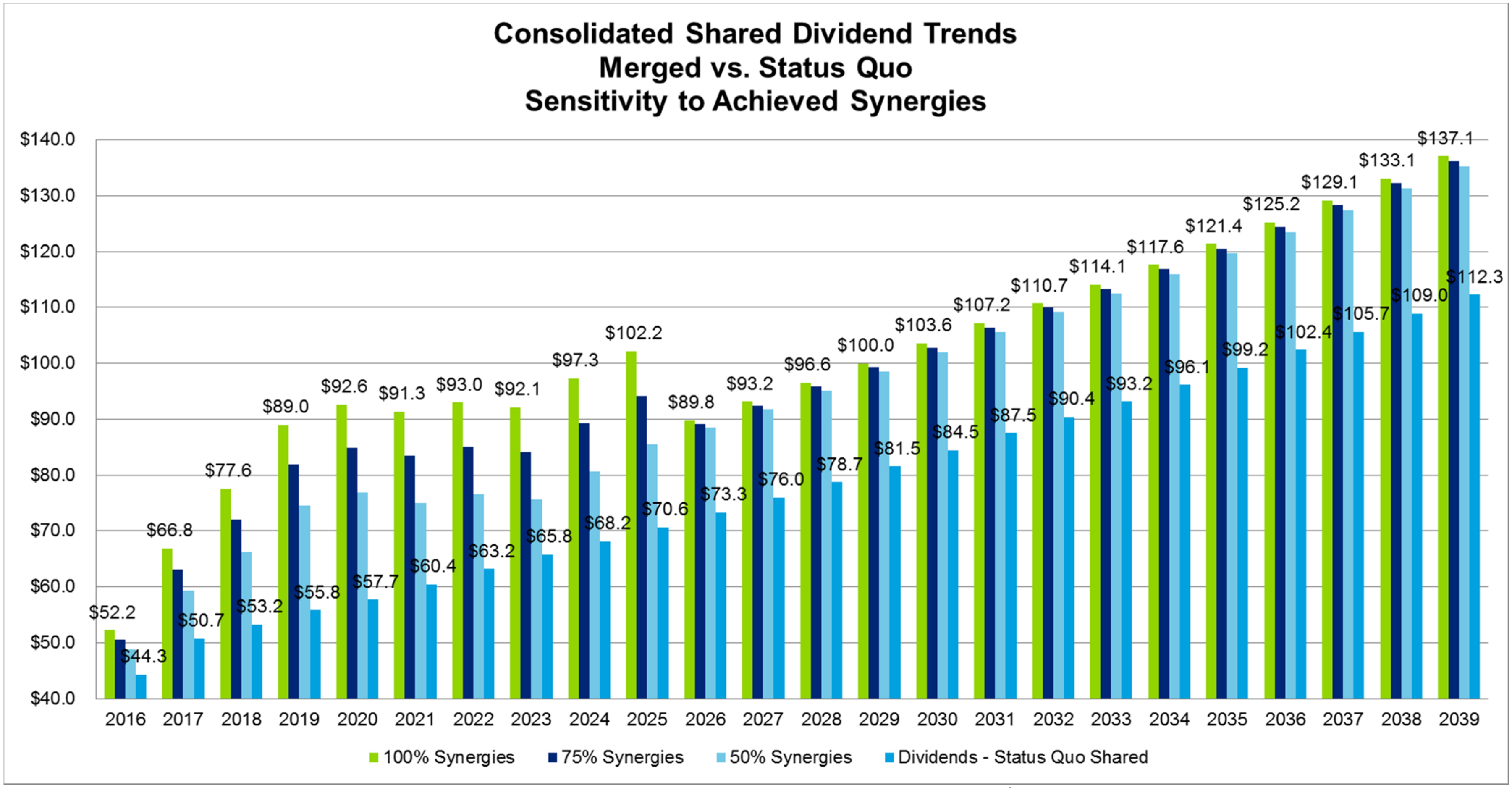
- Synergies may not be achieved or are delayed
- Unidentified expenses/liabilities from HOBNI
- Rising interest rate environment
- Shareholders not able to provide required capital contribution for HOBNI purchase
- Regulatory uncertainty negatively impacts ICM rates
- Debt rating agencies lower MergeCo’s credit rating below A

MergeCo Shared Net Income: Sensitivity to Synergies



- Shared income across the Forecast Period declines by approximately $130MM between scenarios, most of which is within the first 10 years of the merger;
- Shared income remains above the Status Quo under all Merged scenarios given support both from HOBNI net income and achieved level of synergies;
- Virtually all of the shared income increase beyond 2026 attributed to acquired HOBNI net income

MergeCo Shared Dividends: Sensitivity to Synergies



- Total dividends across the Forecast Period decline by approximately $80MM between scenarios, most of which is within the first 10 years of the merger;
- Dividends remain above the Status Quo under all Merged scenarios given support both from HOBNI net income and achieved level of synergies;
- Virtually all of dividend increase beyond 2026 attributed to acquired HOBNI net income