

MERGE

STRATEGIC PLAN (2017 - 2021)

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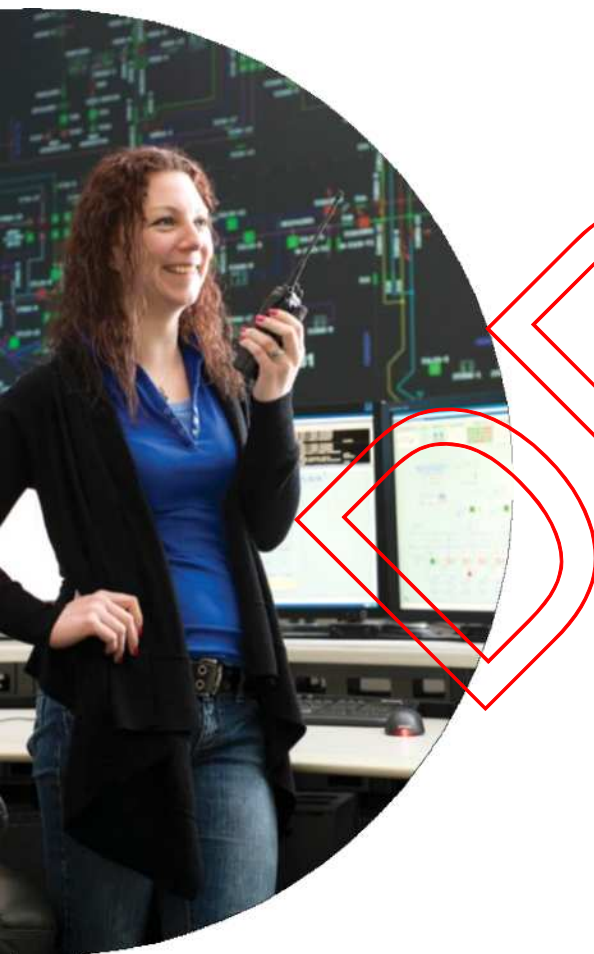


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MERGECO STRATEGIC PLAN (2017 - 2021)

LETTER FROM THE
CHAIRMAN
OF THE
TRANSITIONAL
COMMITTEE
and the
PRESIDENT & CEO
(DESIGNATE)



The electricity sector, and more broadly the energy sector, continues to undergo transformational change driven by government policy, the economy, climate change, technology, customer expectations and demographic trends. As the sector evolves, MergeCo too must evolve to maintain and increase the value to customers. To prepare for these coming changes, we have developed a five-year corporate strategy that defines our goals and strategic objectives during this period of continued change. The strategy will inform the development of our annual business plans and allow us to maintain a clear focus on priorities, success drivers and measures.

Over the last few years, the local electricity distribution companies that have formed MergeCo have been significant contributors to the evolution of the electricity sector. As high-performing and progressive utilities, they took the initiative to create MergeCo in order to bring more value to customers and shareholders. The scale and depth of MergeCo creates a platform for making a greater contribution to the sector, delivering better performance and developing an even more progressive business.

Guided by our vision of a world where people, businesses and communities benefit from energy's full potential, we remain focused on maintaining and improving on our responsibilities in electricity distribution. As well, we intend to be a leader in providing integrated and technologically advanced energy solutions to our customers.

Our five-year strategy was designed around our four strategic themes of managing the transition; optimizing operations and enhancing customer experience; growing the business; and building corporate resilience. With a focus on delivering the intended synergistic outcomes of the merger, high operational performance, responsive services to customers, growth in our core and non-regulated businesses and a MergeCo high performance culture, this strategy will help define the priorities of MergeCo over the next five years.

Engagement continues to be a priority for MergeCo and we look forward to continuing to work with our sector partners, communities, customers, shareholders and stakeholders to better serve the energy sector during these changing times.

Norm Loberg
Chairman of the Transitional Committee
MergeCo

Brian Bentz
President & CEO (Designate)
MergeCo



VISION, MISSION AND VALUES

MergeCo plans to be a leading integrated and innovative energy solutions provider. More specifically, we intend to be a leader in providing integrated and technologically advanced energy solutions for our customers. These solutions will help our customers with issues related to: on-grid and off-grid energy solutions, usage management, cost management and a variety of other considerations. In addition, they will include renewable electricity generation and may include solutions that involve other utility services. We will be committed and focused on excellence, sustainable growth, innovation and best-in-class performance. Our delivery will be reliable, safe and efficient.

Our vision and mission capture the preceding – our vision leads the way and our mission describes how we'll get there. And, as we strive to achieve this vision, we will be grounded in our approach. Our values provide the framework for how we conduct business and define MergeCo as an organization.

VISION AND STRATEGIC INTENT

We will be Canada's leading electricity distribution and integrated energy solutions provider, creating a future where people, businesses and communities will benefit from energy's full potential.

MISSION AND POSITIONING STATEMENT

We provide customers with smart and simple energy choices, while creating sustainable value for our shareholders, customers, communities and employees.

VALUES

Customer Focus	Earn and keep our customers by providing affordable value, while acting as a trusted advisor and strategic partner
Innovation	Drive the business forward through the continuous improvement (and integration) of people and processes, with technology
Excellence	Make the complex simple and continuously improve our performance
Quality	Foster our fundamentals of safety, reliability, dependability and sustainability
Respect	Ensure a respectful and rewarding work environment for all employees by collaborating as one team and acting with integrity
Community	Provide service to our community partners and owners



ENVIRONMENTAL SCAN

The development of MergeCo's strategy included a comprehensive scan of its external environment and an assessment of its strengths and weaknesses to identify key considerations that could impact the organization in the coming years. These considerations include:

Political and Economic Outlook

The provincial political agenda will continue to support consolidation in the electricity distribution sector as well as regionalization and conservation. It will also continue

to support renewable and distributed energy investments. Electricity demand is expected to remain relatively flat over the next 20 years due to the efforts of conservation and energy efficiency, the increase in embedded generation and the change in the economy to less energy-intensive industries. Low interest rates, oil prices and economic growth will continue to have an impact on investments and consumption.

Climate Change

The Ontario Climate Change Action Plan (CCAP) and related legislation will drive change in the types of energy production and consumption. The electricity sector has an opportunity to play a significant role in regard to the specific commitments for meeting

emission reduction targets while maintaining a reliable, efficient and sustainable electricity system. Low carbon legislation will create both challenges and opportunities that involve cap and trade regulation and conservation targets.

Emerging Technologies

The electricity sector is evolving with the emergence of advanced technology such as microgrids, distributed energy resources, storage, demand management technologies and smart systems. These technologies are shaping the way we do business and are becoming more viable and economic. Some of the opportunities and challenges include: the growth and investment, grid parity of wind and solar power, improvement of system

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performance and efficiency with electricity storage and the related risks of customers moving off-grid with distributed generation.

Consumer Engagement

Customers are becoming increasingly engaged and involved in managing their energy consumption. With new technologies being integrated into an increasingly connected world, customers will have the tools to manage their energy consumption in a more responsible manner than in the past, integrating data from appliances, thermostats, vehicles and many other devices.

The new energy consumer's preferences are evolving to reflect the customer choices that are now coming available as a result of these new technologies. The energy customer of the future – the so called “Uber” customer – may look for alternatives and solutions to remain relevant in a 24/7 always connected world.

Regional Planning

With the increase in distributed energy resources, demand management solutions and a more engaged customer base, a greater emphasis is being put on regional planning and

can meet regional reliability needs. Not only are customers becoming more informed, but they also have views as to how energy services are provided to their communities. Integrating and coordinating regional and bulk planning efforts

will be critical in developing cost-effective energy solutions for the overall reliability of the electricity system.

Cybersecurity

As the electricity system becomes more distributed, cybersecurity threats will become more diverse, posing additional risks to the reliability of the electricity system. As a result, there is a growing need for greater collaboration and information sharing of cybersecurity practices to protect electricity system operations and critical information.

Community, Customer and Stakeholder Engagement

More engaged customers, a greater focus on regional planning, a more interconnected electricity system, an evolving sector and multiple stakeholders – these factors all emphasize the need for MergeCo to inform and engage communities, customers, shareholders and other stakeholders on electricity matters

that may affect them. Engagement must remain a key priority for MergeCo.

Corporate Resilience

As with the rest of the electricity sector, MergeCo sees a significant percentage of its experienced workforce approaching retirement in the coming years. To meet this challenge, we must invest in our people and processes to ensure an engaging work environment, providing development programs and career opportunities. MergeCo must be a focused and flexible organization in order to succeed in the ongoing transformation of the energy industry.



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STRATEGY AT A GLANCE (2017 - 2021)

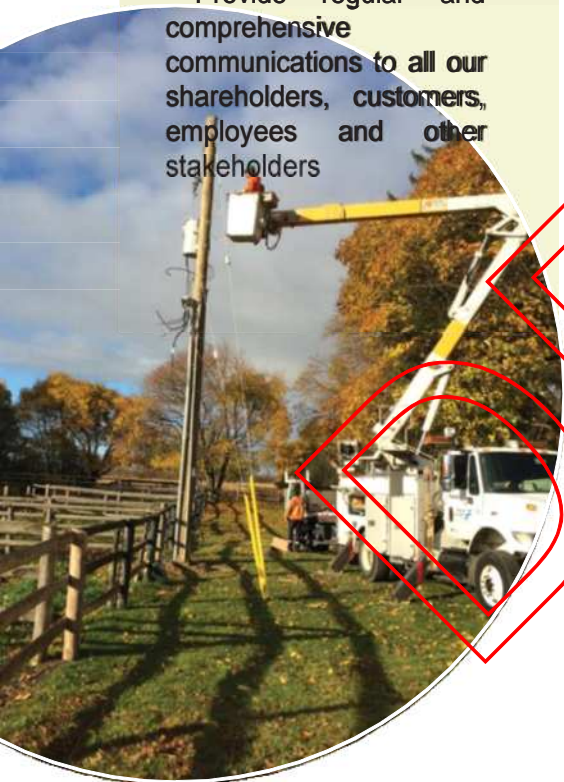
The key considerations identified during the environmental scan helped frame the development of MergeCo's strategy for the next five years. Building on the company's four core themes – managing the transition, optimizing operations and enhancing customer experience, growing the business, and building corporate resilience – MergeCo set four overarching corporate goals as well as 19 strategic objectives that broadly define the processes through which these goals will be achieved.

THEMES (WHAT WE DO)	MANAGING THE TRANSITION	OPTIMIZING OPERATIONS AND ENHANCING CUSTOMER EXPERIENCE	GROWING THE BUSINESS	BUILDING CORPORATE RESILIENCE
GOALS (WHAT WE WANT TO ACHIEVE IN THE NEXT 5 YEARS)	» Deliver the outcomes planned in the merger business case	» Optimize the operation of assets and related processes and enhance customer experience	» Grow the core business through mergers and acquisitions and regional and community planning initiatives	» Invest in our people and processes to meet the needs of our customers and stakeholders
STRATEGIC OBJECTIVES (HOW WE WILL ACHIEVE OUR GOALS)	» Achieve the post-merger integration synergies and shareholder dividends outlined in the merger business case » Maintain or exceed existing customer service levels, reliability performance and employee engagement » Evolve the separate corporate cultures into a MergeCo culture » Continue to make process improvements for best-in-class status	» Optimize operations and asset lifecycle management and related processes regarding asset rehabilitation and renewal » Invest in and leverage emerging technologies to enable and enhance operations optimization » Enhance grid integration to enable continued conservation & demand management and distributed generation endeavors » Enhance reliability through smart grid initiatives » Advocate for more predictable and balanced rate regulation to protect existing revenue streams and to acquire new revenue streams » Enhance customer engagement and leverage through various channels/technologies including social media	Core business: » Service organic growth requirements by building integrated regional and community smart energy plans promoting sustainability, affordability and reliability » Continue to explore and pursue merger and acquisition opportunities that are value accretive with a preference to greater urban density and geographic contiguity and expand our service area to the full extent of our municipal boundaries	» Strengthen the development and engagement of our employees. » Attract and retain the best talent. » Be a focused, sustainable and flexible organization positioned to succeed in the evolving market and energy industry



“DELIVER THE OUTCOMES PLANNED IN THE MERGER BUSINESS CASE”

- Achieve the post-merger integration synergies and shareholder dividends outlined in the merger business case
- Maintain or exceed existing customer service levels, reliability performance and employee engagement
- Evolve the separate corporate cultures into a MergeCo culture
- Continue to make process improvements for best-in-class status
- Provide regular and comprehensive communications to all our shareholders, customers, employees and other stakeholders



Fundamental to the success of MergeCo is doing a great job of integration after the merger date and realizing the synergies expected from the combination of the four utilities while continuing to meet or exceed the pre-merger performance standards in all areas. During and after the integration, important emphasis must be given to continuous process improvement and creating the MergeCo culture.


MergeCo will achieve this strategic goal by:

- Developing and executing a comprehensive post-merger integration plan that realizes the planned synergies and establishing the transformation management function to effectively manage the execution of the post-merger integration plan
- Prepare a comprehensive risk assessment (inclusive of risks associated with cyber security) and risk mitigation plan and continuously monitor the assessed risks through the post-merger transition
- Improving and enhancing management systems and processes to create more value – benchmark against others and strive for best-in-class status
- Being focused on outcomes and being accountable for performance
- Staying focused on maintaining or exceeding customer service, system performance and employee standards
- Staying ahead of regulatory developments and changes
- Proactively advocating for regulatory and government changes to support the transition
- Proactively keep the Board and shareholders informed
- Creating the MergeCo business environment and culture

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- Optimize operations and asset lifecycle management and related processes regarding asset rehabilitation and renewal
- Invest in and leverage emerging technologies to enable and enhance operations optimization
- Enhance grid integration to enable continued conservation & demand management and distributed generation endeavors
- Enhance reliability through smart grid initiatives
- Advocate for more predictable and balanced rate regulation to protect existing revenue streams and to acquire new revenue streams
- Proactively enhance customer engagement and levels of service
- Develop engaging customer relationships that leverage various channels/technologies, including social media
- Maintain & continue to improve upon our strong safety record

MergeCowill achieve this strategic goal by:

- » Streamlining and improving processes to improve asset utilization and performance
 - » Employing a systematic and best-in-class approach including the use of benchmarking
 - » Balancing cost and reliability and rehabilitation and renewal
 - » Framing the approach in a long-term strategic direction for asset management
 - » Making decisions that are supported by quality data and evidence
 - » Responding to customers' needs and expectations
 - » Developing systems and processes that are technologically enabled to create value for customers, engage customers and develop relationships with customers
 - » Delivering superior customer service that is cost effective and competitive
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“GROW THE CORE BUSINESS THROUGH MERGERS AND ACQUISITIONS AND REGIONAL AND COMMUNITY PLANNING INITIATIVES”

- Continue to explore and pursue merger and acquisition opportunities that are value accretive, with a preference to greater urban density, geographic contiguity and expand our service area to the full extent of our municipal boundaries
- Explore and pursue innovative ways to obtain capital to finance acquisitions
- Service organic growth requirements by building integrated regional and community smart energy plans promoting sustainability, affordability and reliability

MergeCo believes that there is value to our customers and shareholders in continuing to grow the company in the current environment for rate-regulated utilities in Ontario. We believe that appropriate size, scale and scope will enable the realization of additional synergies and efficiencies. Continued organic growth in the communities and regions that MergeCo serves will be better served with integrated regional and community energy plans that place the stewardship of the environment and our society at the centre of their strategies and operations.

MergeCo will achieve this strategic goal by:

- Developing and maintaining an approach to gathering intelligence about market opportunities
- Developing and using a risk and opportunity evaluation framework for the evaluation of growth pursuits
- Growing the core business through mergers and acquisitions to enhance strategic position, acquire further economies of scale and scope, add shareholder and customer value
- Developing strategic partnerships and alliances where appropriate and advantageous
- Exploring and determining the appropriate sources of capital and financing to support core business growth opportunities
- Continuing to pursue and evaluate corporate structures that are most advantageous from a capital attraction perspective
- Developing and executing comprehensive community and regional plans for servicing organic growth



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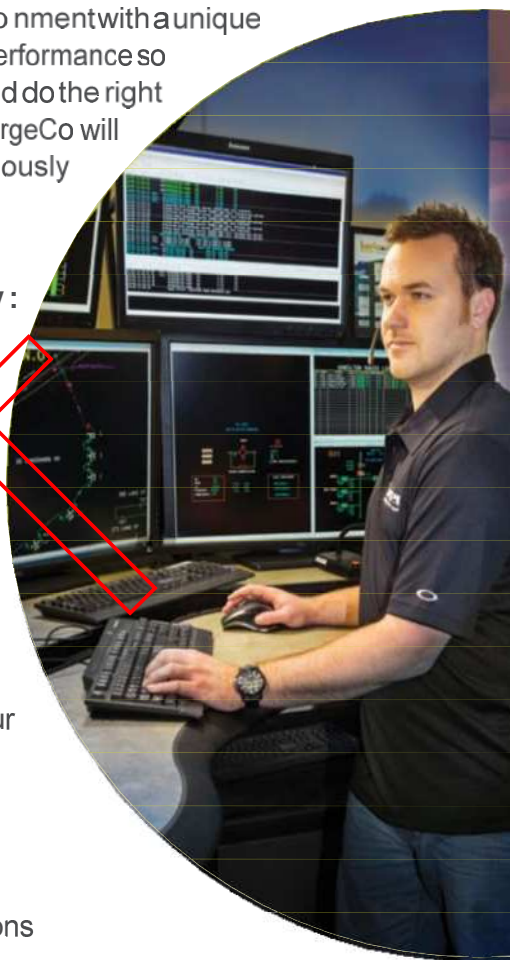
“INVEST IN OUR PEOPLE AND PROCESSES TO MEET THE NEEDS OF OUR CUSTOMERS AND STAKEHOLDERS”

- Strengthen the development and engagement of our employees.
- Attract and retain the best talent.
- Be a focused, sustainable and flexible organization positioned to succeed in the evolving market and energy industry
- Continuously optimize business practices and processes to best-in-class performance

High performing companies create an environment with a unique personality and soul and with passion for performance so that employees make the right decisions and do the right thing wherever they are in the business. MergeCo will make it a key priority to develop and continuously enhance a positive, energized and engaged environment for its employees.

MergeCo will achieve this strategic goal by :

- Emphasizing employee innovation, drive, skill, motivation and dedication
- Developing and implementing a competitive compensation structure, positive reward and recognition system, energized environment and encouragement for employee development personally and professionally
- Ensure employee development and succession planning is in place to retain our best talent
- Creating a safe and healthy workplace
- Being a best-in-class employer
- Delivering effective internal communications
- Fostering innovation and use of new technology
- Creating the MergeCo high performance culture
- Continuously improving business practices and processes, using benchmarking and other best-in-class tools
- Developing a comprehensive risk assessment and mitigation program



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LOOKING AHEAD

This strategy provides a roadmap for MergeCo's activities over the next 5 years. The strategy will help set the priorities for the organization and will inform the development of our annual business plans. Recognizing the changing environment in which we operate, MergeCo will conduct an annual review of our strategy and the sector overall, including seeking stakeholder input and update our strategic plan as necessary.



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