

**BACKGROUND**

**April 30, 2008**

**Utility consolidations part of PowerStream, Barrie Hydro history**

**Historical Perspective**

PowerStream Inc. was created in June 2004 following the merger of Hydro Vaughan Distribution Inc., Markham Hydro Distribution Inc. and Richmond Hill Hydro Inc. In November 2005, PowerStream purchased the assets of Aurora Hydro Connections Inc. from the Town of Aurora. The company is jointly owned by the City of Vaughan and the Town of Markham through their respective holding companies, Vaughan Holdings Inc. and Markham Enterprise Corporation.

In 2000, Barrie Hydro Distribution Inc. (BHDI) was established and subsequently purchased electric utilities from several municipalities including the Towns of Penetanguishene, Bradford West Gwillimbury, New Tecumseth and the Township of Essa (Thornton). The City of Barrie owns BHDI through its holding company, Barrie Hydro Holdings Inc.

Both PowerStream Inc. and BHDI's previous utility consolidations occurred following the Ontario Government's introduction of "public sector only" transfer tax holidays in 2000 and 2003, which exempted shareholders of publicly-owned electric utilities from paying the 33% transfer tax when they sold or combined electricity assets to other publicly-owned electric utilities. In October 2006, the Ontario Government introduced a third "public sector only" transfer tax holiday, which expires on October 17, 2008. The transfer tax holidays act as an incentive to reduce the number of local distribution companies (LDCs) in Ontario.

**Reasons for Merger**

The two utilities are considering a merger for the following reasons:

- Both organizations are seen as leaders within the electricity industry in Ontario. As two of the largest local distribution companies (LDCs) in the province both PowerStream and Barrie Hydro have taken active and influential roles in shaping the direction of the industry while supporting important government policy initiatives in several areas.
- They have established histories of strong organizational performance in the areas of reliability, customer service, health and safety, and financial results. In addition, they have both played active roles in the communities they serve supporting a wide array of community organizations.

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- Their corporate cultures are highly compatible with strong focuses on customer service, health and safety, employee growth and development, operational excellence and strong financial performance. The two organizations respect the culture and accomplishments of each other and want to work together to improve the collective benefits they can provide to their various stakeholders.
- They hold and share a common view of the future and indeed have both played an active role in shaping that future for the industry thus far. The proposed merger represents an opportunity for both utilities to combine their respective financial and operating strengths to create greater shareholder value and stakeholder benefits.

### **About Barrie Hydro**

Barrie Hydro is the 12th largest electrical distribution utility in Ontario serving over 68,000 customers in seven service areas. Its fundamental purpose is the distribution and delivery of reliable, high-quality electricity and customer services, which result in a return on investment that meets the expectations of its shareholders.

### **About PowerStream Inc.**

PowerStream Inc. is the third largest local electricity distribution company in Ontario, providing service to more than 237,000 residential and business customers in the municipalities of Aurora, Markham, Richmond Hill and Vaughan. It is an incorporated entity, jointly owned by the City of Vaughan and the Town of Markham.

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