



CustomerFirst

Newmarket Hydro Holdings Inc.
Presentation of the President
Update on the Opportunity
April 22, 2016

[The Partners]

- Greater Sudbury Hydro
- Newmarket – Tay Power
- North Bay Hydro
- Northern Ontario Wires (Cochrane)
- PUC Distribution (Sault Ste Marie)
- St. Thomas Energy

[Initial Business Concept]

- CFI will be providing services, under contract, to shareholder Local Distribution Companies (LDC's) initially and, where opportunity presents, to non-shareholder LDC's.
- Initially, the focus will be on CDM where the cost is anticipated to be 100% financed by Independent Electricity System Operator (IESO) through each LDC's CDM Plan and through an application to the innovation and Collaboration Funds.

[Initial Business Concept]

- **For all other services, the model will be as follows:**
 - **Estimated budget for each service will be established annually.**
 - **Written service contract will be established with each LDC. This total amount charged to each LDC will be based on a “full cost” basis (variable cost plus overhead plus return on capital assets employed or profit margin)**
 - **Return / Profit Margin will be established by CFI Board**

[Longer term]

- **Other opportunities exist for:**
 - **Purchasing and Electronic Fund Transfer services**
 - **IT area such as Customer Information Systems (“CIS”), Financial Systems**
 - **Asset Management Software and data storage**
 - **Call Centre, but only to the extent there are efficiencies that do not compromise local employment**
 - **Cost of Service applications / regulatory filings**

[The Initial Opportunity]

Current CDM Model



CustomerFirst CDM Model



[CDM Strategy]

- Joint CDM Plan
- Total budget \$38,811,539.00
 - Residential
 - Incentives \$12,785,117.00
 - Administration \$4,152,185.00
 - Commercial & Industrial
 - Incentives \$15,748,169.00
 - Administration \$6,126,076
- Total Administration Budget
 - \$10,278,261.00
- Seek funding from other sources

[Share Structure]

- Two Classes

- Class A

- Voting Shares

- Split equally among participants

- Class B

- Non-voting Shares

- Split proportionate to size

[Share Structure]

- **The key reason for having two separate classes of shares is to ensure that profits generated within CFI are split on a fair and equitable basis while, at the same time, preserving equal voting for all shareholders.**
- **Each class of shares will be eligible to receive dividends and the amount per share will be established annually by the Board of CFI**

[Shareholdings]

Utility	Class A	Class B
Greater Sudbury Hydro	1	46,879
Newmarket – Tay Power	1	33,883
North Bay Hydro	1	23,972
Northern Ontario Wires	1	6,068
PUC Distribution	1	33,058
St. Thomas Energy	1	16,563

[Profit Sharing and Dividends]

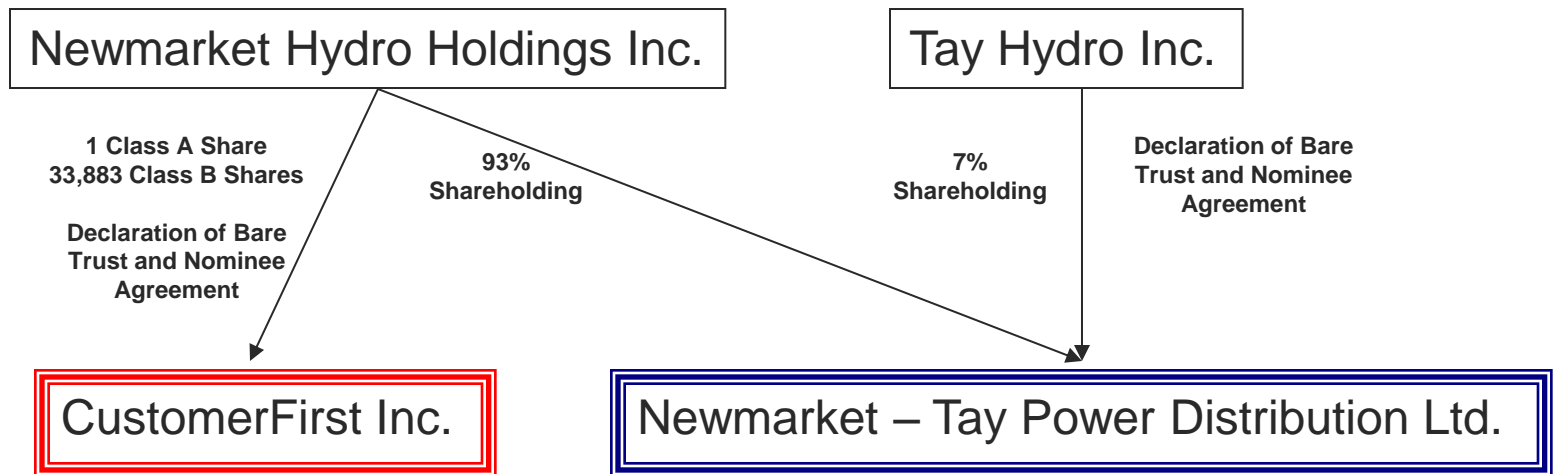
■ Class A Shares

- Profit generated through services provided to non-CFI utilities will be retained earnings for Class A shares
- Equal allocation of earnings

■ Class B Shares

- Profit generated through services provided to CFI utilities will be retained earnings for Class B shares
- Earnings allocation proportionate to contribution

[Proposed Corporate Structure]



Declaration of Bare Trust and Nominee Agreement

- Between Newmarket Hydro Holdings Inc. (“NHHI”) and Tay Hydro Inc. (“THI”) (the “Shareholders”)
- Interest in CustomerFirst:
 - 93% NHHI
 - 7% THI
 - Same as interest in Newmarket – Tay Power Distribution

Declaration of Bare Trust and Nominee Agreement

- In accordance with each Shareholder's interest in CustomerFirst, NHHI will:
 - Remit dividends to THI
 - Provide copies of all notices, claims, demands, directions or other communications it receives to THI
 - Any required voting with respect to the Class A share to be mutually agreed to by NHHI and THI
 - If agreement cannot be reached, NHHI shall make the final determination

Declaration of Bare Trust and Nominee Agreement

■ Other

- Shareholders cannot deal with shares without consent of the other
- Agreement can be modified through agreement by both Shareholders
- THI may, at any time, transfer its interest in the shares to NHHI under mutually agreed terms
- Any costs related to the shareholding and the agreement will be shared by NHHI and THI in accordance with their interest

Current CFI Structure

Board of Directors

Frank Kallonen (GSH)
Paul Ferguson (NTP)
Todd Wilcox (North Bay)
Dan Boucher (NOW)
Domenic Parella (PUC)
Brian Tobin (St. Thomas)

President

Frank Kallonen

Secretary

Paul Ferguson

Executive Director

Conservation

Chris Barker

Program Manager

Conservation

Angela Matthews

[Current CFI Initiatives]

- Joint CDM Plan filed and approved by the IESO
- New Conservation Framework
 - Conservation targets increased
 - Funding reduced
- The CFI collaboration enables application to other conservation funds:
 - Innovation Fund
 - Collaboration Fund

[Additional Funding Applications]

- Two approved to date:
 - \$1M from the Innovation Fund
 - Electrically heated home energy audit and electronic thermostat for baseboard control
 - \$332K from the Collaboration Fund
 - Application Representative
 - Technical Reviewer
 - Both assist with customer conservation project applications

2015 Conservation Results

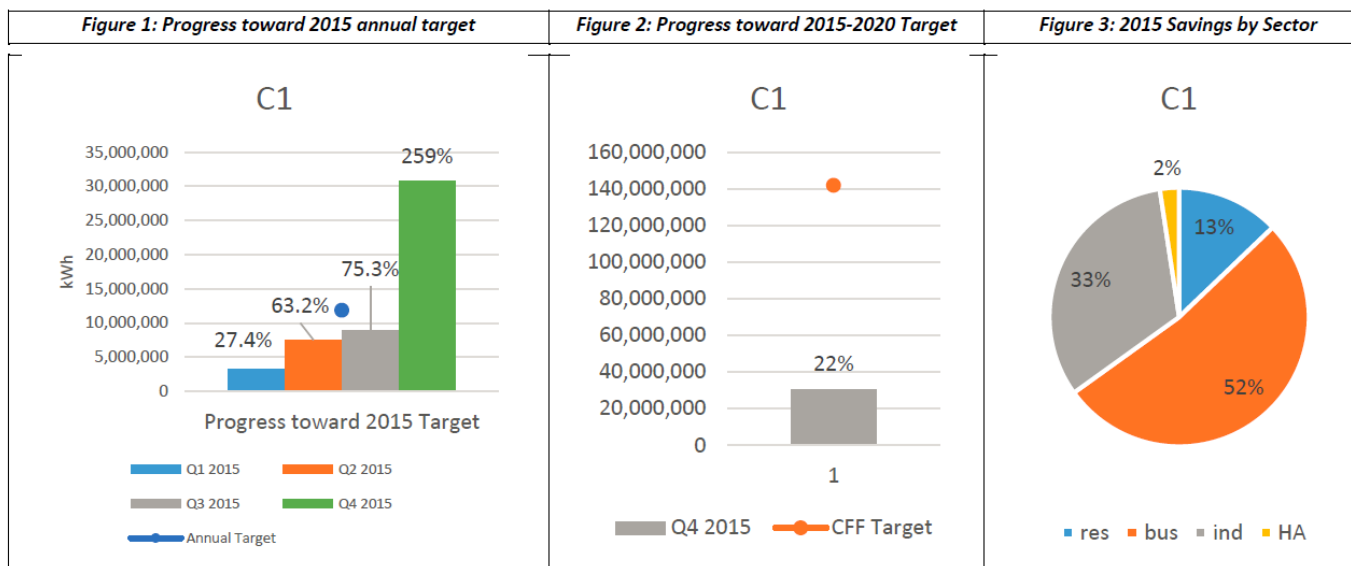


April 2016

2015 Progress Dashboard

Plan Target (MWh)	141,877
Plan Budget	\$38,811,539

As of the Q5 2015 report released by IESO March 2016, CustomerFirst LDCs have achieved 259% of the 2015 Annual target and 22% of the 2015-2020 target.



2015 Conservation Results



April 2016

2015 Progress Dashboard: Newmarket Hydro

Plan Target (MWh)	36,240
Plan Budget	\$9,649,555

As of the Q4 2015 report released by IESO March 2016, Newmarket has achieved 234% of the 2015 Annual target and 18% of the 2015-2020 target.

Figure 1: Progress toward 2015 annual target

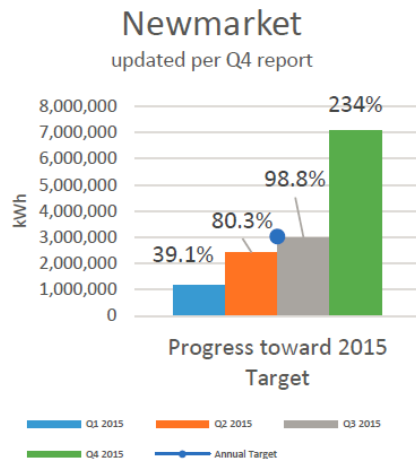


Figure 2: Progress toward 2015-2020 Target

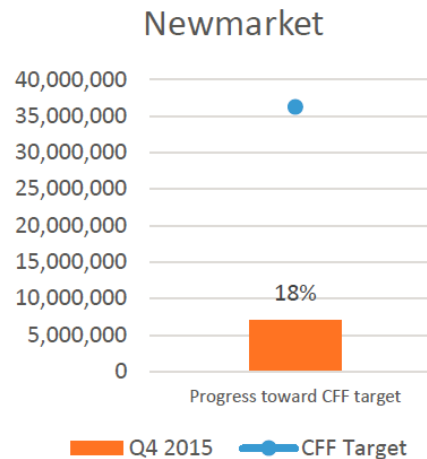
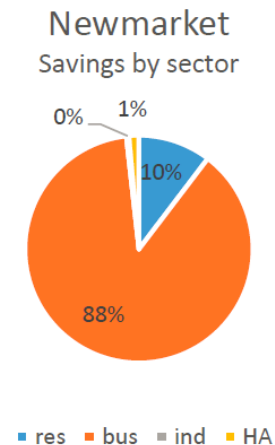


Figure 3: 2015 Savings by Sector



[Shareholders Agreement]

- Business of the Corporation

- Providing services to Ontario-based Local Distribution Companies and other companies in similar or related businesses

- Shareholder Meetings

- At least two per year
- Quorum of 2/3rds

[Board of Directors]

- One director for each shareholder
- Chair elected by the directors
- Management Committee
 - Appointed by the directors
 - Three members
 - Oversee the day to day operations of the Corporation

[Shareholders Agreement]

- Matters Requiring Special Approval
 - 2/3rds or more of Class A Shareholders
 - Amending the articles or by-laws of the Corporation
 - Change in authorized capital
 - Dissolution, liquidation or winding-up of the corporation
 - Issuing further shares
 - Any fundamental change in the business
 - Material capital expenditure of more than \$100,000.00
 - Material purchase of of assets or shares in excess of \$100,000.00
 - Amalgamation or merger
 - Disposing of all or substantially all of the property of the Corporation
 - Amendments to the Shareholders Agreement

[Shareholders Agreement]

■ Dealing With Shares

○ Take-Out Offer and Drag Along

- A majority of Class A shareholders receive a bona fide offer to purchase (Take-Out Offer)
 - Must be unsolicited
- Majority agrees to sell
- Drag along offer made to remainder of Class A shareholders
 - Same terms and conditions as Take-Out Offer
 - Deemed acceptance

[Shareholders Agreement]

- Inactive Shareholders
 - Shareholder ceases to be a party to at least one Services Agreement
 - Shareholder sells its LDC and the Corporation does not approve the share transfer
 - Shareholder sells its LDC to Hydro One
 - Shares sold to the Corporation at 50% of equity value