



Newmarket – Tay Power Distribution Ltd.

# Fall 2016 Shareholder Update

# Agenda

1. 2015 Financial Statements  
- Jeff Taylor, Collins Barrow
2. Industry Update
3. Industry Participant Initiatives
4. Newmarket – Tay Power Initiatives
5. Dividend Projections

# Industry Update

## Electric Billing Changes

- September 2016
  - Government announced PST rebate
  - Applies to Regulated Price Plan (RPP) customers
    - Residential, Small General Service (<50kW)
  - Appears to be applied the same as the Clean Energy Benefit that ended on Jan. 1, 2016 (10% total bill reduction)
  - PST rebate will be an 8% reduction in the total electric bill
- Apply to electricity consumed after Jan. 1, 2017

# Industry Update

## Electric Billing Changes

- Newmarket – Tay Distribution Rates
- Application filed with the Ontario Energy Board
- Rates effective May 1, 2017
  - 1.5% increase
  - Clearance of certain regulatory variance accounts
  - Result in reduction in monthly bills for all customers
  - Actual amount subject to OEB review and approval

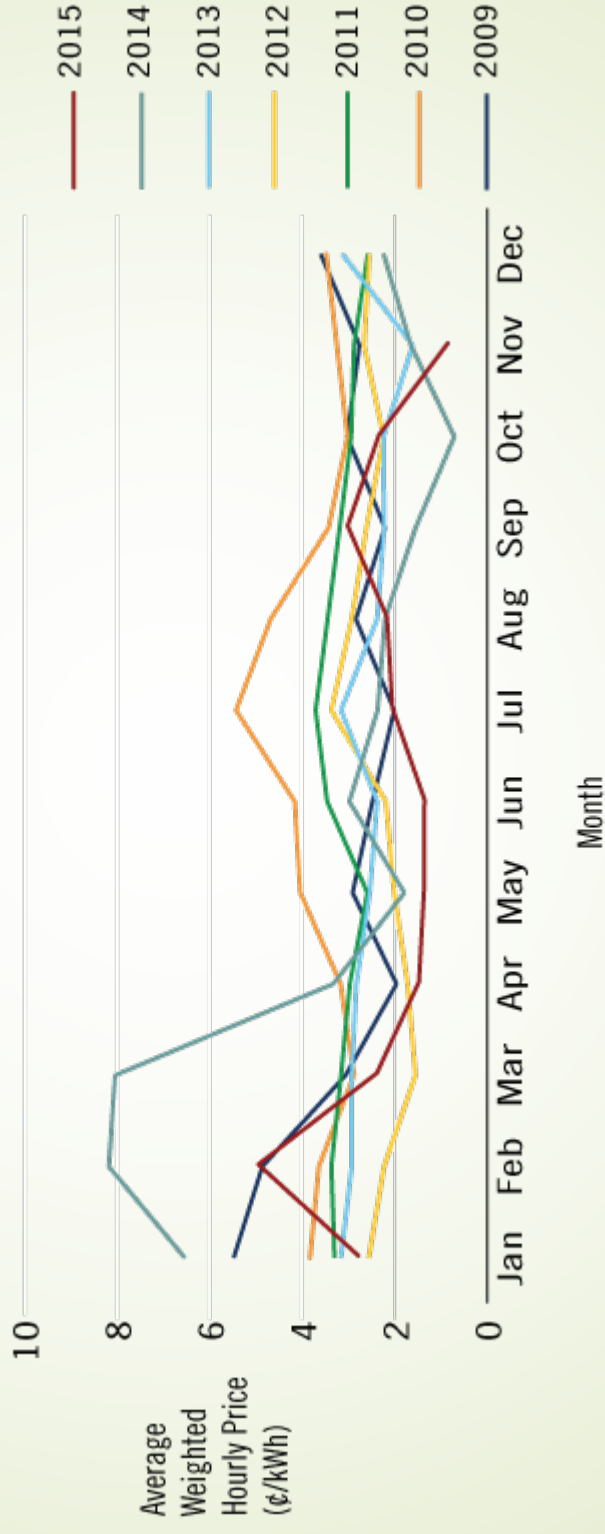
# Industry Update

## Pricing Outlook



# Hourly Ontario Electricity Price ("HOEP")

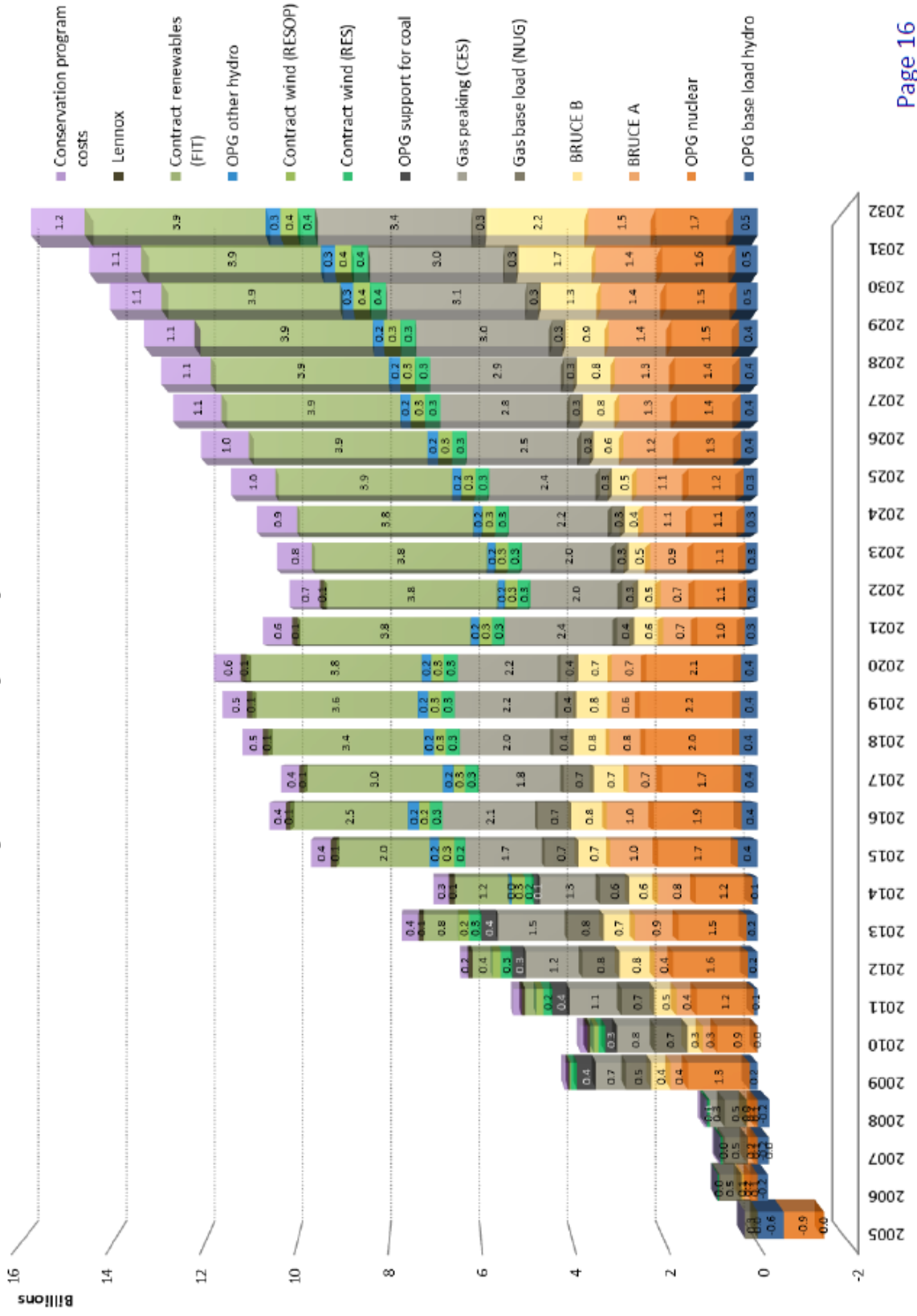
"Standard Supply Service"  
"Hourly Price"



Source:

<http://www.ieso.ca/Pages/Power-Data/Price.aspx>

# Annual Global Adjustment by component nominal \$billions



# Industry Update

## Pricing Outlook – Global Adjustment

- Recent Changes
  - Cancellation of Large Renewable Procurement
    - 1,000 MW, \$3.8 billion
  - Energy import from Quebec
    - Displace Ontario merchant gas generation
    - Merchant generators will still receive availability payments
      - Small incremental savings
- Darlington Refurbishment
  - \$12.8 billion project



# Industry Update

## Pricing Outlook – Global Adjustment

- Bottom Line
  - Global adjustment increases will moderate slightly above inflation.
  - Timing and magnitude of OPG recovery of nuclear refurbishment costs will put upward pressure on the Global Adjustment
    - Application presently before the Ontario Energy Board

# Industry Participant Initiatives

- Orillia
  - Sale of distribution company to Hydro One
    - Retained Generation assets
- Peterborough
  - Contemplating sale of distribution company to Hydro One
    - Retaining generation assets
- Midland
  - RFP for sale of distribution company issued
- Collus/PowerStream
  - RFP for sale of Collingwood's 50% issued
- GTHA Utility
  - PowerStream (Markham, Richmond Hill, Aurora, Vaughan, Barrie), Enersource (Mississauga), Horizon (Hamilton, St. Catherines), Brampton Hydro One

# Newmarket – Tay Power Initiatives

- CustomerFirst
- Offering all provincial conservation programs
  - Lighting
  - Retrofit
- Process and Systems Upgrade Initiative (PSUI)
  - Audit
  - Heating & Cooling
- Pilot Program
  - Home Energy Audit and Retrofit (HEAR)
    - Targets electric heat

# Newmarket – Tay Power Initiatives

- CustomerFirst
- Project management for PSU projects
  - Conservation Combined Heat and Power (CCHP)
  - Southlake Regional Health Centre
  - Laurentian University
  - St. Thomas Hospital
- Regulated Price Plan Pilot in conjunction with HEAR
  - Modified Time-of-Use Pricing Scenarios
    - Enhanced TOU (no mid-peak)
    - Seasonal (summer/winter flat)
  - Business Expansion
    - Retaining a business development manager

# Newmarket – Tay Power Initiatives

- Southlake CCHP
- Two scenarios:
  - Southlake self finances
  - Newmarket – Tay Capital Lease
    - Through an affiliate company
    - 10, 20 year lease options

## Behavioral Billing

- Pilot of three bill templates designed using behavioral nudges
- Being conducted in conjunction with BEWorks, Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO)
- BEWorks is a behavioral economics firm that prepared a preliminary report for the OEB
- Based on preliminary report, OEB requested BEWorks to engage a LDC to conduct a pilot
- IESO providing conservation funding

# Newmarket – Tay Power Initiatives

- Battery Energy Storage
  - Working with Ameresco Canada
  - 4 MW of battery energy storage
  - Distribution site at Yonge Street and GreenLane (east of SilverCity)
  - Lease of property
  - Ameresco Canada:
    - Successful in bid to IESO
    - Design, build and operate
    - Tesla battery
  - Newmarket – Tay will not be taking a position in the project
  - Gain knowledge and experience that will be essential to managing the distribution system of the future

# Newmarket – Tay Power Initiatives

- Canadian Urban Transit Research and Innovation Consortium (CUTRIC)
  - Pursuing pilot electric bus projects in southern Ontario
  - Newmarket – Tay Power along with York Region Transit (YRT) are participating
    - Provide “proof of concept”
      - Cost and reliability
      - Future regulatory and policy treatment
      - Technical considerations
    - YRT route along Davis Drive
    - “Drive Thru” charging station at GO station (Davis and Eagle)

# Newmarket – Tay Power Initiatives

- CUTRIC
- Newmarket – Tay and YRT Pilot:
  - YRT will own bus
  - Newmarket – Tay will own charging station
- Funding:
  - NRCan
  - Ministry of Transportation (Provincial and Federal)
  - Bus/Charger manufacturers
  - YRT
  - Newmarket – Tay
- Charger cost is \$1M. Newmarket – Tay’s contribution will be \$250k



# Newmarket – Tay Power

## Five Year Capital Plan

- Focus remains on non-discretionary works
  - Yonge Street bus rapid transit (Newmarket)
  - Yonge Street reconstruction north of Davis Drive (Newmarket)
  - Bathurst Street/Davis Drive intersection improvements (Newmarket)
  - MetroLinx electrification of the Barrie GO corridor (Newmarket)
    - Affects all aerial distribution circuit track crossings (14)
    - New height requirements
      - May necessitate replacement of some or all aerial crossings with underground

### System Access

- Pole line reconstruction along Highway 12 from Triple Bay Road to Reeves Road. Reeves Road north and Bourgeois Beach Road (Tay)
  - Reliably service existing and planned development in the Reeves Road/Bourgeois Beach road area.
- System Rehabilitation
  - Eagle Hills, Quaker Hills underground cable replacement (Newmarket)

# Newmarket – Tay Power Dividend Projection

- Updated projection approved by the Board
- September, 2016

NT Power Payment Projection Newmarket Shareholder 93% Shareholding, \$22M P Note Debt/Equity = 60/40						
	OEB Income (%)	2016 (Payable in 2017)	2017 (Payable in 2018)	2018 (Payable in 2019)	2019 (Payable in 2020)	
Dividend	9.66	1,336,000	1,336,000	1,336,000	1,336,000	
Other Dividend		0	0	0	0	
P Note Interest	5.48	1,205,600	1,205,600	1,205,600	1,205,600	
Other <sup>(1)</sup>	N/A	270,000	270,000	270,000	270,000	
Total	-	2,811,600	2,811,600	2,811,600	2,811,600	

# Newmarket – Tay Power

## Strategic Direction

- Hold and Grow
- Mergers, acquisitions where they add value

### Dividend Diversification

- Affiliate businesses
- Electricity generation
- Other

# Newmarket – Tay Power

## An Investment

- Present Value
  - \$71M (Rate Base)
  - Annually increasing above inflation
- Current Market Value
  - Acquisition bids are currently 1.5 times rate base
  - Notional purchase bid \$106.5M
  - Bid Adjustments
    - Less Bank Debt \$8M
    - Plus Working Funds \$6M
  - Cash payment of \$104.5M

# Newmarket – Tay Power An Investment

- Annual revenue (Based on Dividend Projection)
  - \$2,811,600.00
- \$104.5M Cash Payment invested
  - Triple A investment 3.15%
  - Inflation 1.5%
  - Adjusted real rate 1.65%
  - Interest revenue \$1,724,250.00