

# PowerStream merger a 'financially compelling' deal: Bevilacqua

## Vaughan mayor pleased with Markham vote

Vaughan Citizen

By [Adam Martin-Robbins](#)

The merger of PowerStream with two other municipally owned electricity distribution firms is surging ahead and Vaughan Mayor Maurizio Bevilacqua is pretty charged up about it.

“This deal is financially compelling both from a shareholder perspective and from a customer perspective,” said Bevilacqua, who serves as chair of PowerStream’s board of directors and has been a vocal proponent of the merger.

“All-in-all, this deal makes sense for the citizens of Vaughan.”

The proposed merger cleared a major hurdle last week when a deeply divided Markham council, which along with Vaughan and Barrie jointly owns PowerStream, narrowly voted in favour of the merger plan.

That plan will see PowerStream join Mississauga’s Enersource Corporation and Horizon Utilities Corporation, owned by Hamilton and St. Catharines.

They will then purchase Hydro One Brampton from the province for \$607 million and bring it into the fold to create Ontario’s second largest electricity distribution company with nearly one million customers.

The merged energy company expects to realize significant “synergies” resulting in projected savings for local residential customers on distribution charges of between \$40 and \$50, averaged out over 25 years, according to PowerStream officials.

Local businesses and institutions, including the City of Vaughan, are also expected to save thousands on their hydro bills.

For example, the average industrial customer is projected to save about \$26,000 annually on the distribution portion of their hydro bill.

Whether or not customers’ overall hydro bill will go down depends on what happens with electricity rates, set by the Ontario Energy Board, but lower distribution charges would help offset any rate increase.

The acquisition of Hydro One Brampton is projected to cost Vaughan, through its holding company Vaughan Holdings Inc., as much as \$61.6 million - \$56 million for the purchase and up to \$5.6 million in closing costs.

The remaining amount of the purchase deal will be shared amongst the other partners.

To help pay for its portion, Vaughan is considering selling up to 10 per cent of its equity in PowerStream, which could bring in \$40 million, according to a city staff report.

The projection is that the \$61.6 million investment would be recouped within 10 to 11 years.

“In Vaughan’s opinion, the 7.7 per cent expected return on the acquisition of Brampton Hydro is compelling,” Bevilacqua said. “We also have seen over the years that PowerStream has always achieved great results in reference to synergies.”

He noted that when PowerStream was formed the forecast was for a 16.5 per cent in “synergy energy savings” and the actual savings was 19 per cent.

Again, in 2009, with the Barrie merger the forecasted savings were 9 per and they actually

achieved 11 per cent, he added.

“These savings, of course, will be passed on to consumers,” he said. “This is a consumer-first driven initiative to make sure we put downward pressure on rising energy costs.”

Merger discussions began several months ago after the provincial government announced it was going ahead with some recommendations made by the Premier’s Advisory Council on Government Assets, which included a proposal to sell up to 60 per cent of Hydro One.

A 13-member board of directors will oversee the new power company, currently dubbed MergeCo, with three representatives appointed by Vaughan officials.

“It’s very important for people to understand that ultimately the citizens of Vaughan are shareholders in this company so it’s really a great day for them,” Bevilacqua said.

The approved merger now requires approval from the Ontario Energy Board