
POWERSTREAM INC

M&A and New Business Update

Audit and Finance Committee

Private and Confidential

April 13, 2011



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Agenda

- M&A Update
- Renewable Generation New Business Update

M&A Update – Developments at Other Utilities

- Since the March Board of Directors Strategic Retreat in March, PowerStream has been approached by several utilities regarding a potential merger or acquisition. PowerStream is primarily pursuing opportunities that have been identified to the Company.

London Hydro

- At the EDA conference, London Hydro contacted Senior Management from PowerStream regarding a potential merger and new business opportunity.
- In early May, Brian Bentz and John Glicksman are scheduled to meet with London Hydro's Senior Staff to test parameters for a potential merger discussion.

Collus Power

- Based on discussions with representatives from Collus Power, it is our understanding that the utility is planning to move ahead with a potential sale.
- A meeting has been arranged for April 13th with Brian Bentz, the Mayors of Vaughan, Markham and Barrie as well as Paul Bonwick to further discuss the potential sale of Collus.



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M&A Update – Developments at Other Utilities (cont'd)

Wasaga Distribution

- Mark Henderson is following up with the CEO.

Brant County Power

- Brant County may be interested in selling a minority share and have approached PowerStream regarding our interest.

Veridian Connections

- There continues to be some conjecture regarding the desirability of establishing regional utilities on a shoulder-by-shoulder basis. As such, PowerStream is in the process of reviewing whether it is useful to start some pre-emptive discussions regarding a potential merger / acquisition.



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Renewable Generation New Business Update

- PowerStream's Renewable Generation Team continues to pursue signing new leases with building owners for the installation of Solar PV panels on rooftops.
- PowerStream has been approaching and has been approached by numerous parties about purchasing leases.
- It is our understanding that a number of parties who have signed leases are looking to cash out or would like to leverage their already signed leases in order to provide the EPC work.
- PowerStream has had serious discussions with a number of parties regarding purchasing leases including ASI and AMP Solar.



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ASI

- PowerStream approached ASI to purchase a portfolio of 17 rooftop leases. ASI has signed lease agreements for the 17 proposed rooftops of which 10 already have signed FIT contracts.
- The portfolio is 6.5MW and the capital investment required to build the entire portfolio is approximately \$37.1M.
- The rooftops are not located in PowerStream's service territory. If PowerStream were to purchase the leases it could cause some tax issues
- PowerStream has performed its financial due diligence on the portfolio to ensure that it would achieve the minimum IRR of 10.5%. Based on PowerStream's analysis we expect the IRR to be in the range of 10.2% to 10.8%.

AMP Solar

- Bank of America is working with Yallingup Capital and AMP Solar Group in the development and financing of a portfolio of distributed solar installations in Ontario.
- AMP has a portfolio of approximately 261 sites across 26 hosts with a total capacity of approximately 51MW and a total capital investment of approximately \$305M.
- PowerStream is in the process of negotiating a Memorandum of Understanding with AMP to explore developing up to 20MW of rooftops for a total capital investment of approximately \$120M.
- The 20MW capacity of the projects is based collectively upon PowerStream's expectation of obtaining a total of 10MW of rooftop solar contracts and AMP will assign to PowerStream a total of 10MW from its portfolio prior to construction of the assets.



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Issues with ASI and AMP Solar

- In our negotiations and discussions with ASI and AMP Solar several issues have been brought forward regarding the potential acquisition of the leases.
 1. The Most Favoured Nations Clause with our Shareholders will be triggered if we purchase the leases from ASI.
 2. PowerStream must purchase the leases from ASI and AMP prior to construction beginning on the respective rooftops. Infrastructure Ontario will only provide PowerStream with financing to build Solar PV projects and not to purchase projects which are already constructed. It is our understanding that several of the rooftops can proceed with construction immediately.
 3. ASI and AMP Solar's projects reside outside of our service territory. There may tax consequences if a certain level of PowerStream earnings before tax is from projects located outside of PowerStream's Service Territory.
- Once the due diligence is completed we will bring forward our analysis for information to the New Business Sub Committee and the Board of Directors.

Horizon Wind

- PowerStream has been approached by the financial advisor to Horizon Wind (no affiliation with Horizon Utilities) regarding PowerStream's interest in investing in 2 wind projects.
- One project is located near Thunder Bay and the other is located near Kingston. Both projects were awarded FIT contracts on April 8, 2010. The proposed capital investment is:
 - Big Thunder Wind Park (Thunder Bay) - \$39.9M
 - Ernestown Wind Park (Kingston) – \$27.3M
- Based on preliminary projections there may be the potential to earn a return in the range of 13% to 17% on the projects.
- Horizon is open to exploring alternative transaction structures including remaining as a minority owner and operator of the Projects. The Company is also willing to consider the sale of its operating 6MW Maryvale Wind Farm located in Nova Scotia.
- Horizon's financial advisor is seeking non-binding proposals with investment amount, valuation and any other terms and conditions on April 15, 2011.



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Issues - Horizon Wind (cont'd)

- PowerStream has a minimal level of in-house expertise on wind and wind related projects.
- The purchase of the projects would require Shareholder approval.
- The Infrastructure Ontario Financing Agreement is for Solar PV projects. As such, PowerStream would have to secure financing if the company were to purchase the projects.

Navitus

- George Todd has informed PowerStream that Navitus has entered into a 30-day exclusivity agreement with a potential investor and as negotiations with Navitus are on hold until the agreement has expired (end of April).
- PowerStream will touch base with George at the end of April to see where Navitus stands and if there is an opportunity at that time.