

Transcript: Council Meeting – Monday, May 30, 2011

Presentation to Council: Ed Houghton, President & CEO | Tim Fryer, Chief Financial Officer | Dean Muncaster, Chair

COLLUS Business Plan*Start of Presentation:*

31:06 Mayor Cooper

Thank you, and next we have the Collus Business Plan. I would ask Mr. Houghton, Mr. Fryer, and Mr. Muncaster to come forward. Welcome Ed.

31:24 Ed Houghton

Thank you very much Your Worship.

Mayor Cooper

I was just saying prior to Council, that I am surprised to see so many staff people out this evening on such a lovely night.

31:37 Ed Houghton

Thank you very much, our Chairman will be mentioning that.

Mayor Cooper, Deputy Mayor Lloyd, Members of Council, colleagues and staff, it certainly is a pleasure for Collus and Collingwood Public Utilities to be able to present to you our Annual Report and Business Plan. Mr. Muncaster our Chairman will start this, and I will then take over and I will then hand over to Mr. Fryer for the financial portion.

32:14 Dean Muncaster

Thank you, Ed.

Deputy Mayor Cooper Mayor Cooper, Councillors and Ladies and Gentlemen.

We are here to present the results of the operations of Collus Power and Collingwood Public Utilities Services Board for 2010 and our Business Plan for 2011, and the ensuing two years. I would like at this point to recognize the directors who are here for the Collus Boards; Your Worship, Councillor Mike Edwards, Joan Pajunen and Doug Garbutt, he would be here other than I suspect as most of you are aware his mother passed away this afternoon, otherwise he would be with us, and I am the other Director.

On the Services Board for the Water it's Mayor Cooper, Doug Garbutt and myself. As you have mentioned we do have a number of our staff here today which is just great (NTD....muffled), Lynn and Ray Powell, is there anyone else, and Tim will be standing up here in a few moments.

It has been our hope for some time now we would have had an opportunity to have an orientation session for this Council particularly with the number of new members that are here, but such hasn't been feasible to date. I think I can readily understand why not, you have been a very busy group of people. As a result of that today, Ed, who is very well known to you, is going to supplement the written material in the Business Plan and will be providing an overview of the operations of the combined utilities and of the plans for them for the current year and beyond. The overview may be helpful for the understanding of just what you will find in the Business Plan. Then Tim Fryer, our Chief Financial Officer will present the financial results for 2010.

This was a particularly challenging year, not only dealing with the requirements of the Ontario Energy Board and various government ministries, also the introduction of smart meters and time-of-use pricing and various conservation initiatives.

On the water side, we have also had to conform to the requirements of the public sector Accounting Board Standards (NTD muffled), I expect that you have experienced this in the municipality, this is being quite a process.

My own case after number of decades of experience with generally accepted accounting principles it is meant coming to understand some very different concepts. In the case of the public utility overnight our surplus that is assets minus liabilities doubled from 13 to 26M, our net capital assets from 16 ½ to 33M, but our amortization requirement also virtually doubled. We had previously written off a lot of things that had been applied against the development charges that had the effect of turning a relatively handsome profit to add considerably reported loss. Then to further alter, previous reporting development charges are now reported as income, providing the prospect of wildly fluctuating net income as to what Tim will demonstrate in his review of the 2011-2013 plan. From a projected loss of \$425,000 in one of those years to a profit of 1.6M in another depending upon development charge levels anticipated in those years.

On the electricity side the shortfall plan was essentially the result of the unexpected receivership of a major industrial customer which resulted in an after-tax right off of \$250,000. We had all worked very consciously trying our very best to ensure this was going to be a viable long-term Collingwood industry with its related employment tax revenues and so on. Despite the write off because of our conservative financial practices and resulting strong financial position, this adverse event was absorbed without major impact on the ongoing operations of the Collus business, which I think we would have liked to have had.

Now, over to you Ed for your overview on the ongoing operation of the combined utilities.

37:28 Mayor Cooper
Thanks Dean, welcome Ed.

37:30 Ed Houghton
Thank you very much, Thank you Mr. Muncaster.

Councillor West asked me if I could read word by word page by page, but I chose not to do that, I chose to put together a fairly relatively quick presentation for you. I think one of the things our board talked about, actually, to give you a little bit of an orientation since you folks have been elected you went through our orientation of the Town and then you got indoctrinated (inaudible) into the budget process. Since that, we haven't had a lot of time doing that. I am going to give you a little bit of an orientation to go through the Business Plan. Mr. Muncaster mentioned the folks that are here, but I think it would be for quick moment to explain to you who they are and what they do.

Tim Fryer is our Chief Financial Officer, and obviously he has care and control over all our financial activities that go on at our office from both a billing perspective and a collection perspective in all those types of things.

Larry Irwin, he is our Director of Operations and IT, and he needs no introduction here as he is also the Director of IT over at the Town of Collingwood. Larry looks after the operations of both electricity and the water department and again he manages that very huge IT department of two at the utility.

We then have Pam Hogg -- Pam has a number of hats as well. Pam is actually my Executive Assistant, but she is also Secretary of the Board and Manager of Human Resources. She does that wonderfully, and in fact this document is created in-house it is done by us in house and then Pam puts it all together. She had a little bit of assistance with Karla because Pam decided that holidays was an important thing this past week. We do all of that in-house and Pam does that.

Karla Findlay our newer employee, she is not new, but she is one of our newer employees and even though Karla has a title, Karla really looks after the customer aspect of our organization where people who need to have locates and those kinds of things, or an issue, she was very instrumental in our latest Blue W project and some of the other projects we have been doing from a conservation perspective.

Glen McAllister, Glen is our former Darius, he doesn't do exactly what Darius does but he looks after Conservation Demand Management and a number of other projects within our organization and also with Tim on the finance side.

Ray Powell, Ray is our Superintendent of Hydro and obviously he looks after the electric side and makes sure that the wires stay in the air and the electricity flows through.

Marcus Firman who is not here -- he has three loves - his family, the water industry, and fishing. Fishing won out, he was on holidays this week and he will be back tomorrow morning. He looks after our water system and assists on our wastewater side.

So that kind of gives you a good understanding of who the people are, and I really do, as Her Worship mentioned earlier, I really do appreciate the fact that they took time out of their schedule to come watch a presentation and are here to support me – I very much appreciate that.

This document is fairly easy to read, and we have done that in a specific way. It focuses on the electricity and water and it is both our Annual Report and Business Plan.

Many Councils have suggested that we combine both the Business Plan and the Annual Report because we would come a couple months apart, and they said could you not combine that, and we said absolutely. They also like the fact that it carries the same format, so you can look at it from year-to-year to look and see what's changed how the industry trends have changed, what's important to us in the industry and those kinds of things. So, what we do we have the tendency to try to keep the same format. Every year we say we should change it but every year we think well it's been working, and we have had positive feedback from previous councils.

If you see it in yellow within the document, it is basically referring to Collingwood Utility Services which is sort of the umbrella of both the electricity and water. If you see the orange it is referring to Collus Power which is the electric side, and if you see blue it is referring to Collingwood Public Utilities which is obviously the water side.

Who we are:

Collingwood Utility Services is a community owned utility that provides reliable electricity, and water services to our customers, and we believe there is a number of things because we are community owned that it is extremely important. We think that we have control over prices and that's more correct when you think about the water, we do not have that much control over on the electric side. But if you look at our electricity rates and our portion of it, it is amongst the lowest in the province and we are very proud of that.

We are able to invest locally and manage reliability. We do wherever possible, try to purchase, we try to invest, we try to ensure that anybody doing work for us is local. We are proud, and I can say that we have an employer relations committee over at our organization and proud to be actively involved in our community and try to be involved in much as we can, and we certainly embrace the community goals.

From an environment perspective you will probably see our trailer that was around. We are not only concerned about the environment we believe that we are doing something about it. We continue to lead from an environmental perspective in the water and we continue to lead from an environmental perspective in the electricity, especially from a Conservation Demand Management and we have done that for many, many, many, many years.

We think that having us together, and again our slogan is Together We Support are Town, we are able to offer conveniences, kind of like one stop shopping and we look at Council and our citizens as a partner.

When I go to many other meetings with other LDC's they can't understand why we are so much involved with our municipality, we are integrated totally. Others have a tendency to try to stay apart from it but we find that we have had successes and we think that its the way to be, we are all a part of it and we actually try to make those lines between Collus and Public Utilities in the Town of Collingwood as grey as possible, because we think that serves our citizens better, and if you want to ask me a question about something that has nothing to do with me, we can get those questions answered.

Our organization, a little bit difficult, but in the Electricity Act, Council is articulated as the shareholder.

Collingwood Utility Services which is the holding company, chaired by Dean Muncaster, Vice-chair is Joan Pajunen, Doug Garbutt, Mayor Cooper and Councillor Mike Edwards are Directors. Then we have what is called Collus Power, it is basically the electricity lines, the poles and lines, those representative folks that look after those, is Chaired again by Mr. Muncaster, Her Worship Mayor Cooper, and we have a gentleman that we have to have 1/3 independent. We have a gentleman named David McFadden, who is unable to be here tonight. He is an energy lawyer in Toronto and has his home here in Collingwood and he is very well known in the electricity industry. He is our independent on Collus Power. Then we have Collus Solutions, it is basically some of the other things like computers, and myself, and non-representative staff. Our Chair is Joan Pajunen, and on that Board is also Doug Garbutt and Councillor Edwards.

Now Collus Energy, when we first created this organizational structure, the electricity market was supposed to be competitive, and we found out very quickly under Bill 100, they basically took the competitiveness out of the electricity industry -- but we still have a company called Collus Energy which is kind of like a shell corporation at this point. Doug Garbutt is the Chair, Councillor Edwards and Mr. Muncaster are Directors.

Underneath that we have two committees, Human Resources Committee chaired by Joan Pajunen and the Audit Committee chaired by Mr. Muncaster and Her Worship sits on both of those committees.

You will see the dotted line relationship with Collingwood Public Utilities and again we have a separate board, that of Chairman Muncaster, Doug Garbutt and Her Worship Mayor Cooper and again just to recap Collus Power has three directors one being Her Worship, and the other two are appointed by

Council. Collingwood Public Utilities also has three directors, one being Her Worship and the other two are appointed by Council.

For the employee structure we don't really need to go through all this, we have myself, and going down Director of IT and Operations, you see Larry, you see Mr. Fryer, and the others you will see that structure within the document. It is not vertically integrated, it is a lot more horizontal and in different ways we believe that everyone has an opportunity to provide input, and that is basically the way we govern and manage our system.

From an electric perspective we have about 15,500 customers in the electric side and we have about 9,300 customers on the water side.

Some of the things, a lot of, a great deal of people aren't familiar with, is the fact that we look after a whole bunch of locations, and from an electricity perspective obviously we look after Collingwood, we look after Thornbury, and we look after Stayner and Creemore. Not only do we look after, we own the hydro assets for Thornbury, Stayner and Creemore. We will also have a very large pipeline, a 66KM pipeline that goes all the way down to New Tecumseh and we have about 16 different connections along the way, and currently we are supplying water to Baxter and New Lowell. We also have a connection that goes to the Town the Blue Mountains and that connection provides water to basically the mountain and over to Collingwood. We also look after Canadian Armed Forces Base Meaford, both water and wastewater and we do the operations of their water and wastewater facilities and we have been doing that for number of years now. We look after Devils Glen ski resort, we look after the ski resort within the ski resort.

Our vision, mission and values:

Vision – together we will grow maximize opportunities and exceed customer's expectations.

Our mission – our businesses provides people with the energy for success, and the necessities of life. We believe that both electricity and water are the necessities of life even though we pay taxes on it.

Our values - we value the entrepreneurial spirit to responsibility and decisively challenge the conventional.

We have a number of values and some of these core values we will go through all of them because it is written in the document -- but I wanted to show that we, one of the core values is trust, building and maintaining customer confidence. The next one would be responsibility – committed to service quality, reliability and conservation and again we have subheadings within each of those core values.

Sustainability – environmental, economic, social and culture, when the Town of Collingwood was going through the sustainability portion we again embraced that sustainability, and whatever we do, we do the Litmus Test to make sure it is sustainable. From a people perspective we believe strong relationships and pride make a difference. The first line, we value our employees, is our most important asset and celebrate their accomplishments, we believe that is the most important, we believe our people are the most important asset we can have. We can have the greatest vehicles and the best hydro lines and the best in all of those things, but it's nothing without our people. Our people are the most important asset, and the day they get to start, for the day they start, they get to make decisions, the day they are involved with making decisions, so that they are moving forward on a day-to-day basis -- that they are being a very large part of the organization and every day they are not there, they are missed. That's what I believe is an extremely important part of our core values.

Partnerships and collaboration – leveraging and sharing resources, we have done this for many many years at our water filtration plant, in the way that we put in our local integrated resources planning. Way back when Darius came to us, all of those things we believe partnerships are extremely important and we've been very successful with the various partnerships.

Continuous improvement – business processes and technology that delivers results; as you know, you know Larry, we've always got technology and we embrace the opportunity and we strive to remain at the leading edge of technology and we continue to do that. There are times when technology especially on the electric side has a tendency to move fast and very forward but we look at it too and just decide whether it's sustainable within, from a provincial perspective and the municipal perspective. We have significant discussions about these kinds of things, so those are our core values.

What we do, we then have a number of goals, and then what we do, we look at each one of our goals and decide how that fits within our core values and how they make them measurable because the last thing we want to do is have a goal that is not achievable or you can't measure it, or it is nice just to have, we don't want to do that.

So, our first one, and I'll show you how we do that from a core value perspective in performance, is to provide safe high-quality water and electricity services to all of our customers. The core value obviously is trust, building and maintaining customer confidence, important, committed to service, quality reliability and conservation. So those are our core values that fit within that goal and from a performance management perspective we look at how to do that, we look at obviously safety is extremely important and quality of service, and the feedback that we get, and legislative and regulatory compliance, and if you ever sat in one of our board meetings and Tim is going on, and on, about the Ontario Energy Board and how many different regulatory compliance issues we had that week, that month, since our last board meeting and how we met each and every one of those. That's our performance measure.

I will just go through some of the goals to maintain a sound financial position that obviously is a significant amount of sense, to meet the expectations of municipality and communicating those to you is what were doing tonight.

To build and strengthen customer relationships, we had a meeting earlier today with our Chair and Mr. Fryer and during that meeting, we had a person, a customer, that had come in last week and I wasn't in, and she was there again today, and I said look at -- excuse me, I'm going to interrupt and go downstairs and talk to this person. She had already been in once, we want to make sure that we continue to be receptive to these folks. That they were important they were in my office, but our customers are equally important.

To pursue new entrepreneurial opportunities both locally and regionally, that is something that we have been doing quite a bit lately and I think that very soon you are going to be hearing something that we are very much involved with and I think you're going to be very pleased and proud of what we are up to.

To build and maintain a sustainable water and electricity system, Marcus Firman was here not a very long time ago talking about our water system and how we've got and where we've gotten in our water system and obviously our electricity system the reliability has been growing and going up every year.

To seek and encourage efficient and effective improvement by supporting integrated business solutions for were ever appropriate and practical, we have an organization that's called CHEC -- Cornerstone Hydro Electric Concepts which originally was our idea way back when, and Tim and Glen are very much involved with CHEC, and what we do, we share resources we have a number of back offices resources that we can each buy into and share that. So, these are the kinds of things that we do to keep our costs down and to be able to try and provide you with all the requirements and the needs of a larger LDC.

To be an employer of choice, where employees are proud to work, and others want to work, Larry Irwin has always said to me he doesn't have a job he has a career, and he has always said this, is being a career, and I think that's what we try to instill within our staff and I'll tell you when I'm out there, not often people say nice things about me but they do say you have a great staff. I'm kidding, they say good things about me all the time. But we do have great staff, Thank you.

To be recognized as a leader in the environmental stewardship, I think we have, and we are going to continue to do that. We have recently, again, with our Blue W Program and the Water Week, we are getting significant recognition by the province and the Ministry of the Environment, and we continue to do that -- and since that time Karla and Glen have come up with ideas that we are going to be doing with Public Works Day, during Public Works Week next year. They have some great ideas and I really support what they're doing.

To promote conservation in the wise use of water and electricity resources, you will see what we done it's in the document, our successes.

Identify and build strong community relationships, we continue to do that.

Encourage and support local economic development. Wherever possible we try assist Catherine and in what she is doing and try to encourage, recently we've had a couple of meetings with some wonderful people because of our knowledge in people, I think that maybe Collingwood will have some new industries. Her Worship and I spoke late Friday evening about another opportunity that we will continue to work on.

To promote and encourage the advancement of technology and innovation contributing to synergies between our Public Utility Services, and again, that's where we believe together we work wonderfully.

Reliability and performance measurement, in 2010, we had five outages, one we didn't find out where the outage could have been, we had very high winds at the time but the other four were as a result of lightning strikes or issues that occurred outside, actually three, one was a transformer failure at Goodall. So other years I would be showing you 14 or 15 of these in 2010, we had five. It was a wonderful year and it shows the reliability that both, Hydro One, that put into their system and certainly in support and cooperation of Collus Power.

From a water perspective it sounds like a lot. There were 13 water main breaks, one was a private main, 11 were service breaks -- seven which were broken by our contractors, that is not unusual when you have as much construction that's going on as we do right now there's bound to be those kinds of things. Most main breaks were all repaired within 12 hours, and obviously we can't just start digging we have to go through the process of making sure we shut water down, but we have to keep the water flowing, we need to get locates and those kinds of things. So that's very quick. Most cases our services were repaired within one hour, and in most cases again the holes were open when they were breaking the services.

On December 20, the Ministry of Environment annual inspection was completed and again we did not generate the Ministry Order, the review receipt inspection reading of 100%, and that's when Marcus came and that in my mind is absolutely exceptional.

From a drinking water quality management system, we are ISO 14001-2004 compliant and that's what has helped us with our opportunity to move forward to get a full license and again Marcus talked about this a full month ago.

Conservation and Demand Management -- in 2010, the Green Energy Act and the Ontario Energy Board and the Ontario Power Authority introduce the conservation management code and the code set out provincially mandated energy savings, this is kind of interesting -- Collus Power target of 3.14 megawatts in demand savings and almost 15 gigawatts of energy savings which represents about .25% of the provincial totals, so it doesn't sound like very much but all of us get together there is some savings from a Conservation Demand Management. Recognizing it is a double-edged sword every time we put a conservation program out we do reduce our revenues, so it's a fine balance we had to do.

We also installed over 15,000 smart meters that's one of our biggest items Tim will be talking about that, that's one of our largest cost items. We have been taking out every one of our meters and putting in the new smart meters. We are on track to be billing by the end of 2011.

I was speaking earlier with I think Councillor Gardhouse about rooftop solar the photovoltaic, installations, we have six in our territory, one ground mount (NTD solar photovoltaic) and hydroelectric grid connected generator, that is from a Fit perspective.

In the MicroFit we have 41 (NTD -applications) which is about 338 KW the generation.

Education is the key component with the Green Energy Act and the Conservation Demand Management code, and we continue to do that, and we continue to get our renewable resource trailer out to different events, we have been at the Chamber of Commerce event last year, we had it out at the Water Conference, it is going to be at Public Works Day, also Elephant Thoughts takes this to many schools and workshops, we just think it's a wonderful opportunity.

From the water perspective, conservation and environmental, Her Worship knows very well, she is part of, and so are we, the Great Lakes and St. Lawrence Cities Initiative, and we continue to be a part of the conservation program, we continue to provide all the input, and follow the results that we get, we think that this is a very good way of benchmarking what we do.

As you see residential usage in terms of litres per capita per day are currently at 176, one of the lowest in the country, and again we have been preaching conservation, but at the same time if you go to the very last slide our leak index 1.08 which is virtually, there's no opportunity for us to get better than that. So those are the kinds of things we do, Karla looks after this, we have 347 rebates replacing old toilets and putting them in with low flush toilets, saving about 8000 m³, I was surprised when I saw that I didn't realize we had 347 rebates.

I would like, Your Worship, to bring up Mr. Fryer he is going to go through the financials quickly and I have one last slide and I'll be done.

1:02:12 Mayor Cooper

Thank you, Mr. Houghton.

And welcome Tim, now for the interesting part.

1:02:26 Tim Fryer

I was going to say, Mayor Cooper, Deputy Mayor Lloyd, Members of Council. I'd like to start off by thanking you for this opportunity to present our Business Plan to you in this forum as part of our shareholder direction and also getting it out to the public for 2010 results.

As part of our presentation to Council, we would like to highlight some key financial information that's contained in the document.

Page 31 is the start of the Collingwood Public Utilities financial section the summary table for the period 2009 through 2013 provides historic current budget and forecast and income results, as well as, net capital expenditures information that can easily be used for doing comparative analysis. Looking at 2010, we see water service revenue was approximately 7% higher than 2009. Water sales to all of our customers were only about a 3% of this increase. The recording of development charge spending as revenue was the other major contributor to the overall increase. Operating expense increased about 5% and major contributors were the impact of HST and increased electricity costs. That isn't as ironic as it appears because the electricity pricing is set by the province, and not by Collus Power.

Council will be aware of the 2009, public-sector accounting board changes that municipalities were required to institute in the CPU case. The major impact of conforming to the changes what it amounted to was about million dollars of increased amortization and depreciation expense. This resulted in a net outcome in the net loss of \$314,000 recorded for 2010. As noted earlier, another major change is that DC spending and other direct contributions to construction are recorded into revenue now in the year that they are received. As indicated in the table, some years may have a loss while others will show a net gain, mostly based on spending the amount of development charges. Looking at the 2013 part of the forecast, the result is due to a plan investment and further reservoir capacity we are showing a large net gain. We are just completing the next step in our financial analysis process and we will have it ready to provide to the municipality in the next few weeks. We are confident that the 2011 budget that we set will fulfil the expectations of our overall financial plan.

This next slide is a chart found on Page 34, of your document. The key Collingwood Public Utilities goal is always being to maintain, annually maintain, or reduce our net debt level. As you will see the net impact in 2010 was a decrease as is the expectation for this year. Although the current forecast indicates that level will grow slightly we are continuing to examine the situation for 2000 and beyond.

That is a very brief summary, but Council has been provided with detailed financial information in regard to the Collingwood Public Utilities.

In looking at Collus Power we begin with a similar table of financial data for Collus Power which you will find on Page 35, of your document. Looking at the table, you will see that the 2010 operating revenue grew by over 7%, resulting from 12 months of Ontario Energy Board cost of service approved rates, in 2010, this is only eight months in 2009. The pie chart also on Page 35, indicates the breakdown of our main components of operating revenue. Also, on this page is an explanation of the extraordinary expense referred to previously by Chairman Muncaster. In 2010, a large industrial closure, customers closure, impacted the net income by approximately \$250,000. Excluding that extraordinary item, expenses have increased about 3.5%. In spite of that loss we have a net income after tax of \$400,000, which still provides a strong financial position. We feel that the strong financial position is a direct result of our conservative and prudent financial practices over the year.

From the table, I would also like to point out to you that the capital expenditures amount to \$2 million, this is higher than the previous year but is a result of the construction of the new hydro substation at Sixth Street. The capital plan for 2011 is finalized, and one of the larger components will be the line work required along Popular Side Road as part of the current area transportation project currently underway.

Also highlight the capital expenditure line that indicates smart meter investment is not included in the amount shown. As we move on to the next slide in our presentation I will elaborate a bit more to make it clear to you.

Key measure for our use in examining the strength of our financial position is the level of outstanding long-term debt. The blue area in this graph indicates overall debt levels decreased over the last five-year period, until what was remaining in 2010 was only \$1.7 million promissory note payable to the Town of Collingwood. The promissory note interest rate of 7.25% provides an annual hundred and \$124,000 interest payment to the Town. In 2010, there was a requirement to borrow additional funds to finance the \$3 million investment to install new smart meters to meet the provincial directive of having the time-of-use technology and billing in place, (inaudible) by 2011.

This level of borrowing allows us to complete the final time-of-use phase-in and set at a rate of 4.67%. I would also like to note the capital costs in the operation and maintenance expenses of the time-of-use program are recovered through customer rates. The investment is tracked and the OEB has established carrying charge rates that are to be included in these to help us offset interest expense of the loan. So, the investment is tracked separately and therefore not directly included in our capital expenditure reconciliation. Without this investment requirement our only debt would be the promissory note amount which is really not debt as it is held by the shareholder, and Council is a shareholder. The new loan is scheduled to be paid down annually over the term of 20 years.

That was all the information I was going to provide in my slides for you at this time, Ed is going to summarize and then we will answer any questions.

1:09:41 Mayor Cooper

Thank you very much Tim.

It's when we listen to Tim and the separate auditor and their lingo on conversation back and forth it becomes quite interesting, to say the least.

Anyways, welcome back Ed.

1:10:02 Ed Houghton

Thank you very much.

It's interesting when you look at that slide, and you think that our highest debt ever was around \$3 million, slightly around \$3 million and were spending that basically on the time-of-use smart metre project, it is a significant cost throughout the province, that's for sure. Especially if, in the event in October, if there is an election there, thoughts that time-of-use meters may not be used or could be choice. So, it is interesting.

This is what is really interesting Your Worship, the fact that you say okay what's in it for me and basically this is what's in it for you. As Tim talked about the promissory note he mentioned a moment ago 1.7 million at 7.25%, again, what this all came from is, way back when we were established this deemed debt to equity ratio and the portion that we had left 1.7 million and we could pay this off and we'd be having an interest rate of 4% or something like that. That wouldn't have made much sense for us to do that. So, what we do is we provide you at 7.25%, \$124,000 on an annual basis, to provide to you, that's the payment interest on the promissory note and then you will continue to have the promissory note with us for as long as you so desire.

One of the other thing Tim and others put together, when looking at this how we provide other monies, we deem that the Operations Centre that we bought and owned is actually yours. So, what we do is we have a rental for it and we pay you \$216,000 on an annual basis, basically this is the rent for the Operations Centre over at 43 Stewart Rd.

The other thing is when we came up with the idea of selling water to New Tecumseh and the fact that they provided this with us a lump sum of \$2 million in which we purchased the railway line for the Town Collingwood, we said well, we gave it, let's have a occupancy fee for that, so we pay you almost \$100,000 on an annual basis for occupancy for the water main that goes below the surface, from Collingwood to Utopia.

Then we have the in-kind services which basically if you look at it which is about \$300,000 and what that does it pays for my time, and Brian McDonald's time, and Tim's time, and others. We are actually working on behalf of Town Collingwood. We just sort of on an annual basis we try to determine what those costs are as best we can.

From a Public Utilities perspective and in-kind services this is a portion of time that Marcus puts towards the Wastewater Treatment Plant as you know he has heavily involved with the Wastewater Treatment Plant working with Don Green, our Environmental Services Manager, to make sure our best foot forward and I think that we have a wonderful system down there as well.

From an administrative perspective we bill on your behalf all of the sewer bills and we provide that as an in-kind service and Tim was estimating it's \$100,000 to do that.

(1:12:59) Then we have other in-kind services that we throughout the entire year we look at and we have a nominal amount about \$40,000 that we come up with. So in-kind from a cash perspective is just south of \$450,000 and it's just north of \$450,000 in in-kind so we are just over 900,000 total cash in in-kind services that we pay to the Town of Collingwood to have the privilege of being one of your affiliates if you will want to say.

So, Your Worship that is our presentation, hopefully it wasn't too long, hopefully it wasn't as boring as you indicated (laughter) and if there are any questions we would.... there is the happy group. I mean if you think about it we have just over 40 employees that do all of the water and electricity all of the other things that we do and at the very beginning of our document you will see a note from our Mr. Muncaster and myself, it was really difficult to do this year, we had some challenges, we had a challenge of our major industry that went under that we worked with that we worked, that we worked with, that caused us some significant grief and sleepless nights. And then we had obviously going through P7. That's probably why I think Kay and Tim are, and others are great. They worked hard on this thing and trying to get this done and it's been a challenge, and growing on top of everything is the regulation, every year I wanted to say finally we had some equidistant where we were actually were able to get some work done and do some real good things, but industry continued to change and evolve and regulations continue to change. It is significant for us. But we saw the happy group all smiling up there

1:14:48 Mayor Cooper
Thank you very much Ed.
I will take questions, Councillor West?

1:14:54 Councillor West
Thank you, Mayor Cooper.

Ed in relationship to the time-of-use and smart meters and we already have been hearing stories in other communities where it is causing grief especially for seniors, of course are at home in using electricity at the premium times. Do you have a plan in case we continue on the path, that we are going to help seniors and also provide some tips for people on how to use their electricity less expensively?

1:15:27 Ed Houghton
Your Worship through you to Councillor West.

Actually, Chair Muncaster and I attended the meeting a year or two ago, that the Ministry of Energy put on, and there was a gentleman there speaking, and he said if you are getting into the time-of-use rates and if you haven't communicated your already too late. We try to communicate as best we can but our position is right now is that our demographic is going to be extremely difficult, we have a significantly aging demographic and with all of the changes that have been occurring and again were being pushed off to the end of the year now, we will communicate as best we can once we know what the rules are and we will probably be waiting until we see what's going to be happening with the election because that will significantly change the message. So, we didn't want to get the message out and have to change it part way through. So, we are geared up, in fact I would expect that at the top of Glen's priority list at least one or two, but we will be getting out as best we can to as many places as we can, in the not-too-distant future, stay tuned.

1:16:36 Mayor Cooper
Councillor Cunningham

1:16:37 Councillor Cunningham
Thank you, Your Worship, through you to Mr. Houghton.

Ed, for the viewing audience who will be at home watching, short answer -- percentage increase on hydro this year for the people of Collingwood I believe was roughly 2% which, could be argued as under the inflationary rate. Is that my understanding?

1:17:03 Ed Houghton

Well I will get Mr. Fryer to tell you exactly, but from a distribution rate perspective which is what our part is, is actually a decrease.

1:17:13 Tim Fryer

What Councillor Cunningham may be referring to is, that change was about 12% in electricity rates last year and you can recall that the government introduced a 10% credit at the end, so the net result is..... Actually the 10% is on all electricity charges so it actually took care of the 12%. Our actual change in our distribution rates was minimal .2, or something like that.

1:17:44 Councillor Cunningham
The point was trying to make is....

1:17:48 Tim Fryer

For 2011? Since we don't control the rates it's hard to know what the government will do, they will set rates for November 1, we will hear word about that in early October. I would be hesitant to guess, as to where they're going to go with it our next rate change will not be until next May 2012.

1:18:18 Councillor Cunningham

The point I was trying to make for the viewing audience was the increase you folks have had to pass on to Collingwood is very very low in comparison to other municipalities, as well as, other types of business. I think we've really done well in keeping it as low as the 2% or even less at times. Thank you.

1:18:46 Tim Fryer

And then if we are switching customers to time-of-use as Ed said our education plan is in place and it will include a shadow billing that will introduce historic data as to their usage pattern and compare how they will pay under regulated price plan that they are currently on and how they will pay under the time-of-use. So, will try to give them support, more (inaudible) information as to how we think they will be impacted by time-of-use.

1:19:16 Mayor Cooper

Councillor Chadwick

1:19:18 Councillor Chadwick

Thank you, one suggestion we might do is, move the Council meeting to later in the evening so it's at the lower, electricity air time (laughter)

Question about the pipeline, what does the future look like in terms of new markets do we have the capacity in the current pipeline to service much more?

1:19:39 Ed Houghton

Your Worship through you to Councillor Chadwick.

A very good question, we do have the capacity. The pipeline is capable of about 60,000 m³ if we add the addition of two additional pumps. Right now, we are only pumping out 11,500. So, we do have significant. The challenge that we have right now is our Water Filtration Plant is at capacity for them. What we would need to do is if we start to increase the amount of pump edges we would then have to install more membrane into the water. We are prepared to do that, we have completed the environmental assessment to do that, we have the drawing sitting on the shelf ready to go, we continue to work through Her Worship's office with New Tecumseh to make sure that any opportunity from a funding perspective that they take that up and start expanding our Water Filtration Plant.

1:20:42 Mayor Cooper
Deputy Mayor Lloyd

1:20:43 Deputy Mayor Lloyd
Thank you, Your Worship, through you to Ed.

We spoke about \$900,000 that benefits the municipality -- receives, I don't think it was really elaborated the in-kind portion of it, and I think there is some confusion in the community on what the in-kind is. For instance, Brian McDonald and others, maybe you could elaborate a wee bit more on that, because it's huge.

1:21:08 Ed Houghton
Thank you, Your Worship through you to the Deputy Mayor

As an example, Brian McDonald is employed by Collus Solutions and so we pay 100% of his wages and benefits and those things, and Brian McDonald works 100% exclusively for the Town of Collingwood, from that perspective all of his time is dedicated to the Town of Collingwood. So that is an in-kind service. At least 50% of my job is working with, and for, the Town of Collingwood and so that portion is also part of. So what we do is, we look at it from an in-kind perspective -- Marcus's time, Larry Irwin's time, Tim's time, a number of us, Pam's time, a number of us work both sides and again we try and make that line very grey in the sense that it doesn't matter, we are all part of this, we are either all tax based or user based and so we do that. That is what the in-kind portion is.

1:22:08 Deputy Mayor Lloyd
I agree, and I understand that, and I just want to reiterate you do not receive a check from the Town of Collingwood nor do the other individuals you've talked.

1:22:16 Ed Houghton
No, I do not, Thank you.

1:22:18 Mayor Cooper
Councillor Lloyd

1:22:20 Councillor Lloyd
Thank you, Your Worship, through you to Mr. Fryer
Based on the new smart meters and coming online, how did you project your forecast revenue for the next 3 to 4 years. In essence, if everybody follows the plan we may reduce revenues to a certain degree.

1:22:41 Tim Fryer

With time-of-use it's about shifting load so in our case as Ed mentioned we do through our charges, have a fixed portion of charge, and we have a variable portion of charge, and its based on total usage. The anticipation is, that as far as this distribution service revenue goes, there won't be a great deal of impact from time-of-use because people will be shifting load, they'll still use the same amount of kilowatt hours. Where they will be able to save if they shift load is on the electricity price which we just pass through. We are just a pass-through agency of the organization. As you read through your document you will see overall, both organizations about \$6 million a year and revenue to work with. The thing that doesn't stand out, and that one table, for you is there is another \$27 million of electricity charges in Collus Power's case. So, 6 million is what our operating revenue, 27 million is what were passing through to the customers through the course of the year for electricity charges and the market charges to go hand-in-hand with that, because they're producing, generating, and transmitting the power to our border and we distribute it. In that case we forecast what the energy costs will be, it is a pass-through, so it doesn't impact us on the net revenue situation. Did that cover that okay?

1:24:14 Councillor Lloyd

I think so.

I would also just like to say that reading through this is very well done and thank you so much. It's also not just words and numbers but you do follow through with actions and I think the Town of Collingwood really appreciates it. Thank you so much.

1:24:37 Mayor Cooper

Councillor Edwards

1:24:38 Councillor Edwards

yes, thank you, Your Worship.

Along with yourself, I have the privilege of serving on the board and I would be remiss if I didn't mention what I feel, is a dedication of all the employees in the board and management in this organization. When you look at the complexities that are involved in the energy and truly when I first went on it, I'm still learning, it's huge. Basically, the only control Collus has over that is a service aspect and when you're looking at reducing costs it is associated with the efficiency of the organization itself as opposed to the energy costs which are handed down to us anyways. We don't have any in say in that and to see where we are in the bottom part of the charges and the lower the charges, I think it is attributed to the efficiency, well run part of this organization. While we look at it from an economical development standpoint, as well as, the household standpoint, that's very important in attracting industry and businesses into this area because of our utility costs and it is a privilege to serve on the board and I think the employees I have certainly have had a lot of cooperation. I think there's more acronyms in Collus than there is in the whole wide world. I have two sheets of them, I would just like to pass along those comments, thank you Your Worship for allowing me that.

1:26:14 Mayor Cooper

Well said Councillor Edwards. I just also wanted to flip on the side that we did have some challenges and attempting to support industry, jobs and employment in our area and Collingwood to be specific, and from that trying to assist there. We did have some trials and now we have a good news story that Councillor Gardhouse had been part of with the presentation, new industry and generate new revenues and a new user of our utilities.

I also want to comment on the Ontario Water Conference (NTD – OMWA Conference held May 1-4) that was just held recently, and Blue partnered with the Town of Collingwood that I received an email follow-up and someone had commented about attending from Toronto and that they commented on her historical buildings but also commented on how great our water tastes. So, some things that we take for granted and going through the news of Walkerton and where they are today, and with our assistance and to hear that our water tastes great and is good clean water, safe water, that shows.

1:27:39 Ed Houghton

Your Worship on behalf our staff and board and we encourage you to read the document there is a significant amount of information in there: our direction, and what the trends are, and I think you will find those extremely interesting to see what our challenges are on an annual basis. Please feel free to contact myself or Tim or Marcus or Larry or Ray if there's anything from that perspective. We again, are always around for any questions that you might have.

1:28:08 Mayor Cooper

Thank you, Ed, and there is an AGM coming up?

1:28:12 Ed Houghton

Yes, our Annual General Meeting be coming up in early July and what we will do is be providing you with the letter, which we always do on annual basis, and what we will be asking you to do is to nominate a representative to attend our annual general meeting, to vote on your behalf, just on the financials and auditor, and those kinds of things. Thank you very much.

1:28:33 Mayor Cooper

Thank you very much, and for staff coming out this evening and, as well as, the board, thank you very much and Tim and Ed. Thank you.

1:28:45 Ends