

PowerStream's Response to COLLUS Power Corp Request For Proposal



STRATEGIC PARTNERSHIP Executive Summary

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NOVEMBER 16, 2011

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EXECUTIVE SUMMARY

PowerStream is pleased to respond to the Request for Proposal document issued by COLLUS Power Corp (“COLLUS Power”) on October 4, 2011.

PowerStream Inc. is the second largest municipally-owned electricity distribution company in Ontario, serving more than 330,000 customers in nine municipalities located in Simcoe County and York Region that have a combined population of approximately 1,000,000.

Subject to the Terms and Conditions of a Share Purchase Agreement, the Town of Collingwood would receive total cash consideration of \$14,510,170 upon closing. The payment is comprised of:

Sale of 50% Equity of COLLUS Power	\$7,300,000
Recapitalization Dividend	\$5,500,000
Repayment of Town of Collingwood Note	\$1,710,170
TOTAL CASH TO TOWN OF COLLINGWOOD	\$14,510,170

PowerStream believes that COLLUS Power and PowerStream share the same values which are critical to making the proposed Strategic Partnership successful. As such, PowerStream is proposing a structure which will satisfy the objectives of both COLLUS Power and the Town of Collingwood and create a partnership which will continue to operate in the best interests of the customer, employees and Shareholders in all the service territories currently served by both entities. This structure recognizes the importance of municipal ownership, growth and community involvement, principles that are held in high regard by both organizations and the customers they serve. The model, articulated to the COLLUS Power Strategic Partnership Task Team by Brian Bentz, President & CEO of PowerStream on September 19, 2011, is transferable for future regional growth with other communities and we believe that this will provide a model for further consolidation.

NOTE: In PowerStream’s Response we have, assuming that we may be the successful proponent, referred to the post closing utility as “COLLUS PowerStream”.

Representation on Proposed New COLLUS PowerStream Board

As noted in COLLUS Power’s RFP, its preference is that a majority of Board members on the Board be independent. Consistent with this philosophy, PowerStream proposes the following Board structure:

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- 6 person Board of Directors comprised of 3 representatives each from The Town of Collingwood and PowerStream
- 2 co-chairs to be nominated by each Shareholder
- A majority of the representatives from both Shareholders would be independent

Other - Shareholders Agreement Matters

PowerStream's Proposal sets out recommended buy/sell, liquidity terms, as was requested in the RFP.

Objectives and Guiding Principles

PowerStream proposes that a new Shareholder Agreement would set out, amongst other items, the Guiding Principles of the Corporation, which would address the following: for profit corporation, capital structure, dividend policy, growth, employees, customers, community and stakeholders.

Provision of Strategic and Specialized Resources

If PowerStream is the successful Proponent, it may provide services to the new COLLUS PowerStream in the following areas:

- 24/7 System Control Monitoring
- Engineering & Construction
- Key Account Management
- Call Centre
- Additional Billing Services
- Conservation and Demand Management
- Renewable Generation
- Human Resources/Succession Planning
- Information Services
- Regulatory & Rates
- Health & Safety
- Fleet, Procurement Services & Facilities
- Existing Financial Information System

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Support in Growing the COLLUS Power Business

PowerStream has experienced significant organic growth and has adopted its business to facilitate economic development in the communities within its service territory.

PowerStream is a recognized leader among Ontario's Local Distribution Companies ("LDCs") in growth through mergers and acquisitions. PowerStream believes significant consolidation of LDCs in the Province of Ontario will occur within the next 3 to 5 years, and is prepared to embark upon a unique partnership with the Town of Collingwood to grow COLLUS PowerStream into a significant entity which will serve to support our collective ability to meet and exceed the growth opportunities of tomorrow.

Support for Employees and their Careers

PowerStream is committed to maintaining or expanding local employment at COLLUS PowerStream. To this end, PowerStream is supportive of no involuntary layoffs under the proposed structure for the transaction. Moreover, PowerStream will provide resources, wherever possible, for COLLUS Power Corp. and COLLUS Solutions Corp. employee groups to receive coaching, mentoring, personal growth, training and education opportunities similar to what is currently available for PowerStream employees.

Customer Experience & Interests of the Communities

COLLUS Power and PowerStream have both been extremely successful in serving the needs of their respective customers. COLLUS PowerStream will build on this success by combining the resources and experience of both organizations to provide an even more reliable, effective and efficient electricity distribution system. PowerStream expects to be able to offer COLLUS PowerStream customers an enhanced customer experience. COLLUS PowerStream customers would be able to benefit from PowerStream's new Interactive Voice Response (IVR) telephone system. PowerStream's IVR system, through an advanced speech recognition technology, improves call routing, reduces wait times and has corporate/account inquiry applications that provide 24/7 self-help

This system is also used in tandem with PowerStream's Outage Management System (OMS) to automate customer interactions, improve customer outage communications, provide customer specific outage updates and manage exceptional call volumes.

As part of the proposed transaction, PowerStream is proposing that COLLUS PowerStream establish a Town of Collingwood Community fund. The initial annual fund

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would be \$25,000 which would go to support community events in consultation with the Town of Collingwood in the COLLUS PowerStream service territory. In addition, to the initial establishment of the fund, further incentives and increases to the fund would be provided to the Town of Collingwood for any future successful mergers or acquisitions that COLLUS PowerStream were to complete.

Competitive Distribution Rate and Cost Structure

Rates will remain low through streamlining of processes, identifying opportunities for efficiencies and taking advantage of economies of scale to reduce the upward pressure on customer distribution rates. As COLLUS PowerStream will be a separate legal entity from PowerStream, its rates are not eligible to be harmonized with that of PowerStream.

Operating Cost Efficiencies

PowerStream has had considerable experience and success in creating long-term partnerships and alliances. PowerStream has a record of maintaining reasonable rates and maximizing shareholder returns. PowerStream serves nine municipalities and has three municipal shareholders. PowerStream was created in 2004 with the merger of Hydro Vaughan, Markham Hydro and Richmond Hill Hydro and the subsequent 2005 acquisition of Aurora Hydro. In 2009 PowerStream and Barrie Hydro merged. Over the period 2003 to 2011, operating costs were significantly reduced. Cost savings were realized by streamlining processes, identifying opportunities for efficiencies and taking advantage of economies of scale.

PowerStream can be an important strategic partner in COLLUS PowerStream by providing services to the new entity at costs below those that would have previously been available. Savings could be realized particularly in “back office” activities such as call centre, control room, regulatory and finance. As noted in PowerStream’s proposal, these services would be provided through a Service Level Agreement.

Cultural & Synergistic Fit

In addition to both LDCs having large employee populations that reside within Simcoe County, PowerStream believes that COLLUS Power and PowerStream share the same values which are critical to making the proposed Strategic Partnership successful. In fact, COLLUS Power’s inspirational and forward-thinking value statement that the organization values “the entrepreneurial spirit to responsibly and decisively challenge the conventional” aligns well with PowerStream’s vision statement of being “a socially responsible company, committed to the environment and sustainable growth, leading the way into the future with boldness, innovation, and industry best in class performance.”

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Moreover, COLLUS Power's stated values of "trust, responsibility, sustainability, people, partnerships & collaboration and continuous improvement" are similar in intent and spirit to PowerStream's values of "respect, teamwork, performance, accountability, initiative."