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Collus Power Corp

Request for Proposal— Strategic Partnership

October 4, 2011

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RFP Strategic Partnership

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1 Purpose of the Request

This request for proposal is being issued by Collus Power Corp and the Town of Collingwood for the purpose of soliciting written proposals to enter into a strategic partnership arrangement. For purposes of this request, some of the key needs from a strategic partner include the following:

- Purchase of shares of up to 50% in Collus Power
- Provision of strategic and specialized resources to Collus Power while continuing to effectively engage the Collus Power and affiliate employees
- Support in growing the Collus Power business, both organically and through acquisition
- Continued and substantial presence in the communities we serve
- Continued and enhanced support for the interests of the communities we serve
- Continued focus on maintaining and enhancing the competitive distribution rate and cost structure of Collus Power

This request does not include any of the activities associated with the water operations. Collingwood Public Utilities Services will continue these activities.

2 Background

- Collingwood Utility Services is a community owned utility that provides reliable electricity and water services to its customers.
- Collingwood Utility Services and its employees have built a reputation in both the water and electricity industry for being forward thinking and fiscally responsible in the pursuit of success for their various business activities.
- The electricity and water services in Collingwood have been delivered on the basis of a “shared service model” designed to maximize efficiencies between all utility services and bring the greatest value to the customer.
- Collus Power is the exclusively licensed electricity distribution company that services the businesses and residences with the Town of Collingwood and the neighbouring communities of Thornbury, Stayner and Creemore. Collus Power was incorporated in 2000 in response to Ontario Government legislation to restructure the electricity industry in Ontario.
- The Company acquired the electricity distribution assets of Thornbury, Stayner and Creemore in July 2001.
- Collingwood, Thornbury, Stayner and Creemore have a combined population of approximately 27,000 full time residents (plus a large number of seasonal residents).
- The common shares of Collus Power are wholly-owned by Collingwood Utility Services Corp, a holding company that is a wholly-owned subsidiary of the Town of Collingwood.
- Collus Power has a mix of approximately 15,300 customers, residential, industrial, commercial and institutional. The Company has no large use customers and 128 general use customers. Growth prospects for Collus Power are quite strong in the near term due to ongoing residential and commercial development.
- The Company performs the water and wastewater billing function for the Town of Collingwood, with the expectation of continuing to do so.
- Collus Power has made significant investments in the past in order to maintain its distribution system in a good state of repair. Several of the system’s features include the following:
 - The electrical system consists of approximately 178 kilometers of overhead wires and 128 kilometers of underground wires.
 - Meters meet the requirements of the Electricity and Gas Inspection Act and over the last few years the company has installed new smart meters at all customer sites and is ready for the changeover to time-of-use electricity billing. This changeover is scheduled to begin in January 2012.

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- The company leases its head office premises located at 43 Stewart Road in Collingwood, Ontario. The building houses the Company's administrative, engineering, operating and field personnel and rolling stock.
- The company owns various distribution and transformer station equipment, as well as other equipment and vehicles
- The employee base of Collus Power consists of 11 employees. In addition to its direct employees, the company subcontracts various personnel services from Collus Solutions Corp, an affiliated company, whose employees and costs are allocated approximately 60%/40% between Collus Power and Collingwood Public Utilities Services Board, respectively. Collingwood Public Utilities Services Board provides water services to the residents of Collingwood. (See the accompanying chart depicting corporate structure).
- The customer base is comprised of approximately 13,600 residential, 1,600 general service less than 50kW and 128 general service 50kW to 4,999 kW. The company distributed approximately 313 million Kwh of power in calendar 2010.

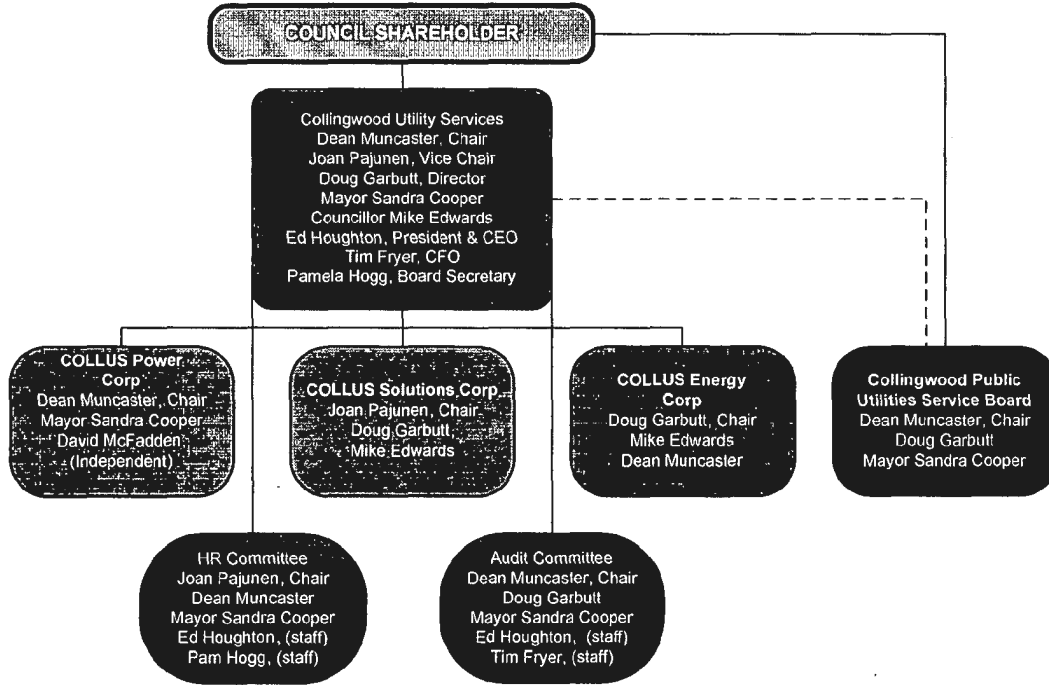
2.1 Governance & Ownership

- **Collingwood Utility Services Corp.** is comprised of five directors with Council being articulated in the Electricity Act as the single shareholder. The Board is made up of the Mayor, a Councillor and three other Council appointed Directors. Members of the Board make up two Committees, an Audit Committee and an HR Committee.
- **COLLUS Power** is comprised of three directors, one being the Mayor and the two other directors are appointed by Council. One of the directors must be totally independent of any affiliate.
- **Collingwood Public Utilities** is municipally owned and governed by a Municipal Services Board that from time to time, when required, reports to Council. The Board is comprised of three Directors, one being the Mayor, with the other two appointed by Council. Existing municipal by-laws provide some strategic direction, outlines executive limitations and reporting requirements. Reporting of Board business to Council is done by Staff presentations at Council Meetings, issuing updates via email from the President and CEO, and through Her Worship Mayor Cooper as our Council Representative.

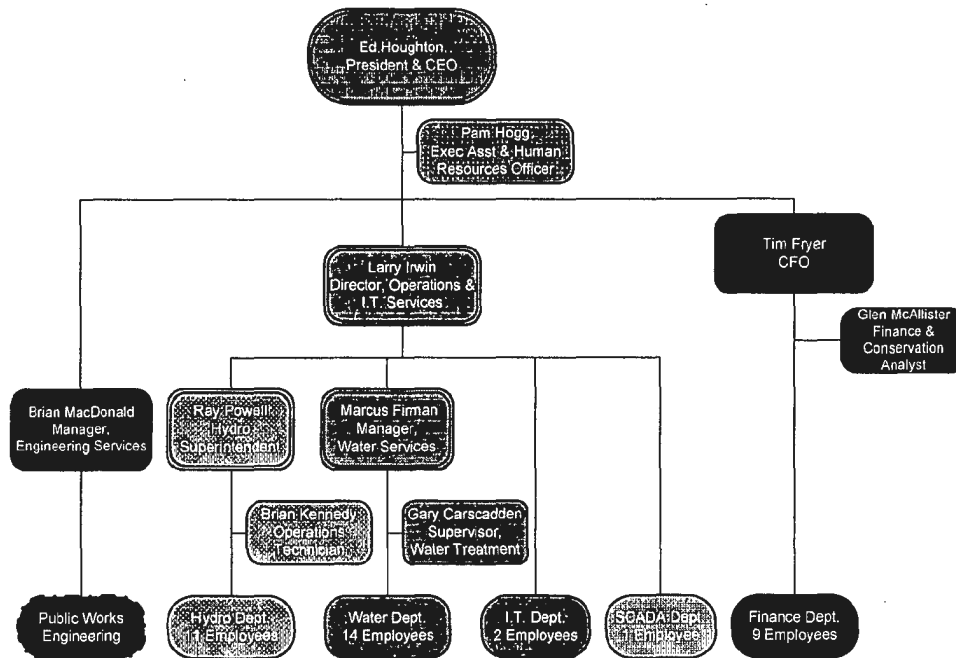
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2.1.1 Organizational Structure



2.1.2 Employee Structure Overview



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3 Proposal Scope and Response

All prospective strategic partners are asked to address the following in their non-binding proposals.

3.1 Purchase of Shares

- The proposed payment for up to 50% of the shares of Collus Power.
- Terms of payment, including the form of consideration if other than cash.
- Any proposed timing considerations.
- Pre-closing conditions (i.e., due diligence, etc.).
- Proposed representation on the company's Board of Directors. Our preference is that a majority of the board members are independent.
- Philosophy or guiding principles for the determination of annual dividends paid to the shareholders
- Buy/Sell arrangements to include both right of first refusal and "shot gun" provisions.
- Other considerations including any proposed capital structure and shareholders' agreement matters. The shareholders' agreement will require the inclusion of a clause that resembles the following:

3.2 Provision of Strategic and Specialized Resources

- Outline the ability to provide Collus Power with resources in a range of areas, including engineering, construction, call center, regulatory and rates, safety and others. Provide details on the approach to providing such resources, including the general financial and working arrangements.
- Details regarding your approach to working with the existing financial information systems (the degree of stand-alone and integrated working of these systems for the future).
- In the context of the preceding, provide details about the approach to managing effective ongoing arrangements with the current Collus Power employee group and Collus Solutions Corp employee group. Include details about working with existing unions and financial arrangements.

3.3 Support in Growing the Collus Power Business

- Outline the approach you would bring as a partner to supporting organic business growth in the Collus Power service area.
- Outline the approach you would bring as a partner to supporting future acquisition and merger growth of Collus Power.

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3.4 Customer Experience and Satisfaction

Summarize your approach to ensuring that the existing customer experience and satisfaction of Collus Power is maintained and enhanced.

3.5 Supporting the Interests of the Communities We Serve

Detail your intentions as a strategic partner in how you would continue and enhance a substantial presence and support for the interests of the communities we serve. Considerations would include local presence, economic development, interaction with the community, etc.

3.6 Competitive Distribution Rate and Cost Structure of Collus Power

Outline the approach you would bring as a strategic partner in maintaining and enhancing the competitive distribution rate and cost structure of Collus Power, while the company continues to realize desired rates of return.

3.7 Other

Include other matters, such as employee relations, that you would bring to Collus Power as a strategic partner.

3.8 Proposal Response and Contact

- Proposal responses should be submitted in two parts, with each part in separate sealed envelopes. One envelope should contain the Purchase of Shares portion of the response described in section 3.1, and the other envelope should include the remaining parts of the proposal response.
- Proposal responses should be sent to the attention of Mr. Dean Muncaster, Chairman, Collus Power, 43 Stewart Road, Collingwood, Ontario, L9Y 3Z5 by no later than 4:30 pm on November 16th, 2011. Submissions should include 12 hard copies and one electronic copy, including one copy marked as the original and signed by an authorized representative of the proponent. Proposals submitted after the closing date and time, regardless of the medium by which they were submitted, will not be accepted.
- Proposals which fail to conform to the scope and requirements as set out in section 3 of this request for proposal will be disqualified and rejected. (For example, a proposal which proposes a purchase of greater than 50% of the shares of Collus Power will be disqualified)
- All inquiries regarding this request for proposal should be directed in writing to Mr. John Herhalt, Partner, KPMG LLP, via email: jherhalt@kpmg.ca

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3.9 Anticipated Process

Proposals will be reviewed and evaluated by the Collus Power Strategic Partnership Task Team with the goal of completing the selection process by the end of December 2011.

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4 Proposal Evaluation

Proposals will be evaluated using the following criteria and weightings:

	<u>Points</u>
• Payment for up to 50% of shares	30
• Other considerations in Section 3.1	30
• Provision of strategic and specialized resources	10
• Support in growing the Collus business	10
• Support for employees and their careers	10
• Customer experience and satisfaction	10
• Supporting the interests of the communities we serve	10
• Competitive distribution rate and cost structure of Collus	10
• Cultural and synergistic fit	10

100 Points

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5 Data Availability

Proponents will need access to various data in order to prepare their proposal submission. Collus Power will have the following data available at KPMG LLP, 333 Bay Street, 46th floor, Toronto, Ontario from October 5th through November 9th, by appointment. Appointments can be arranged through Diane Meehan of KPMG via phone 417-777-3443 or email dmeehan@kpmg.ca. To the extent additional data is required and not noted below, please advise Mr. John Herhalt prior to making your appointment.

- 2011-2013 Business Plan & Annual Report
- 2008, 2009 and 2010 audited financial statements of Collus Power and its affiliates
- 2011 interim financial statements (quarterly) of Collus Power and its affiliates along with 2010 comparatives
- Tax returns and assessments for the last 5 years
- 2011 budget and forecast information of Collus Power (draft)
- 2012 budget information for Collus Power (including capital expenditure budget for 5 years)
- 2010 and 2011 Kwh volumes
- Historical summary of customer information by consumption and load forecasts for several years
- List of largest customers
- Annual statistics and other customer information
- Asset condition studies
- System reliability summaries
- 2010 Rate schedule and most recent approved OEB rate submissions
- Corporate structure and operating arrangement description between affiliates (including agreements and contracts)
- Distribution system map of the Collus Power service area and forecast of potential residential and business growth in the service area
- Summary of capital assets including rolling stock
- Summary of employees and their arrangements for Collus Power and Collus Solutions Corp (includes organization chart, years of service, ages)
- Annual operations and maintenance programs
- Third party agreements and contracts

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- Promissory notes
- Shareholder declaration (agreement) and corporate by-laws
- Insurance contracts and claims history
- Recent claims settlement and outstanding unresolved claims against the LDC or its representatives
- Union collective agreement
- Actuarial reports on employee future retiree benefits
- Any reports, decisions, orders related to non-compliance matters – legal, health and safety, environmental, regulatory

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6 Terms and Conditions

The request for proposal will be governed by the following terms and conditions:

6.1 Confidential Information

Proponents will continue to be governed by the “Non-disclosure Agreements” recently signed and shall not disclose any details pertaining to their proposal, this request for proposal or the selection process in whole or in part to anyone not specifically involved in their proposal without the Collus Power Strategic Partnership Task Team (“SPTT”) prior written approval. Proponents shall not issue a news release or other public announcement or at any time directly or indirectly communicate with the media pertaining to details of their proposal, this request for proposals or the selection process without SPTT’s prior written approval.

6.2 Communication of Information

- It is the proponent’s responsibility to ensure that it has all necessary information concerning the intent and requirements of this request for proposal and to clarify any details in question mentioned or not before submitting a proposal. SPTT shall not be responsible for any misunderstanding on the part of the Proponent concerning this request for proposal and/or its process.
- No verbal instructions or information will be binding on SPTT. All written instructions and specifications will be considered clear and complete unless written attention is called to any apparent discrepancies or incompleteness before submission of a proposal. No individual other than those designated as a contact in this request for proposal is authorized to comment on any portion of the request for proposal.
- SPTT is under no obligation to provide additional information but may do so at its sole discretion. Inquiries received less than two days prior to the closing date and time may not be answered. At SPTT’s discretion, the substance of any inquiries for additional information and responses to these inquiries may or may not be communicated to all recipients of this request for proposal.

6.3 Proposal Validity Period

Proposals and their details shall remain in effect and open for acceptance by SPTT for a period of 60 days after the closing date.

6.4 SPTT May Seek Clarification and Incorporate Response into Proposal

SPTT may, in its sole discretion, choose to meet with some or all of the Proponents to discuss aspects of their Proposal. SPTT may require one or more Proponents to submit supplementary

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information clarifying any matters contained in their Proposal after the closing date and the supplementary documentation received from a Proponent shall, if accepted by SPTT, be considered to form part of that Proponent's Proposal. In the event that SPTT receives information at any stage of the evaluation process which results in earlier information provided by the Proponent being deemed by SPTT to be inaccurate, incomplete or misleading, SPTT reserves the right to revisit the Proponent's compliance with the mandatory requirements of this RFP and/or adjust the scoring of rated criteria.

6.5 Proposal to be Retained

The Proponent agrees that all rights, title and interests, including copyright ownership, to this request for proposal and all information and material of any kind whatsoever that may be provided to the Proponent by SPTT or otherwise obtained by the Proponent relating to this request for proposal or in the Proponent's performance of the work if it is the successful Proponent, shall remain the property of SPTT and further that all such information and material and any copies thereof shall be returned to SPTT upon request. SPTT shall obtain all rights, title and interests, including copyright ownership, to the deliverables that are to be produced and delivered to SPTT in accordance with this RFP and SPTT may disclose, use or modify such deliverables in any manner it deems appropriate. The Proponent shall not do any act that may compromise or diminish SPTT's interest as aforesaid. All Proposals submitted in response to this RFP shall become the property of SPTT. SPTT will not return the Proposal or any accompanying documentation submitted by a Proponent.

6.6 Reserved Rights of SPTT

- SPTT reserves the right to terminate, at any time, this request for proposal at any stage or the solicitation of indications of interest as submitted under this request for proposal. SPTT intends to conduct business in the ordinary manner during the evaluation and selection period; however, the company and its shareholders reserve the right to take any action, whether or not in the ordinary course of business, which they deem necessary or prudent to conduct such business.
- SPTT also reserves the right to accept any proposal in whole or in part or reject any or all proposals.
- The costs and expenses incurred for the preparation and submission of a proposal and all other costs and expenses incurred by the proponents relating to this request for proposal shall be borne by the proponents. SPTT shall not be liable for such costs and expenses or to reimburse, including, without limitation, in the event of rejection of any or all proposals.
- SPTT shall not be liable for any expenses, costs, losses or any direct or indirect damages incurred or suffered by any proponent or any third party resulting from SPTT exercising any of its express or implied rights under this request.

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6.7 Acceptance

The submission of a proposal by a proponent in response to this request for proposal shall constitute the said proponent's agreement to the terms and conditions described in this request for proposal.

6.8 Errors, Omissions and Independent Advice

SPTT and KPMG LLP do not accept any responsibility for any verbal information or advice or any errors or omissions which may be contained in this request for proposal or any documentation disclosed or otherwise provided by or with this request for proposal. Neither Collus Power or KPMG LLP nor any of its affiliates, directors, officers, employees or agents makes any representations or warranties, either express or implied, with respect to the completeness or accuracy of this request for proposal and supporting documentation or any information or opinion contained herein. Any use or reliance on this request for proposal or on any information or opinion contained herein or documentation disclosed or otherwise provided by or with this request for proposal is at the risk of the Proponents, and neither Collus Power or KPMG LLP nor any of its affiliates, directors, officers, employees or agents shall be liable for any action, cost, loss, damage, injury and/or liability whatsoever incurred by any person arising out of same. The Proponents are responsible for obtaining their own independent legal, accounting and other advice with respect to this request for proposal, any information included in this request for proposal or in any documentation disclosed or otherwise provided by or with this request for proposal.