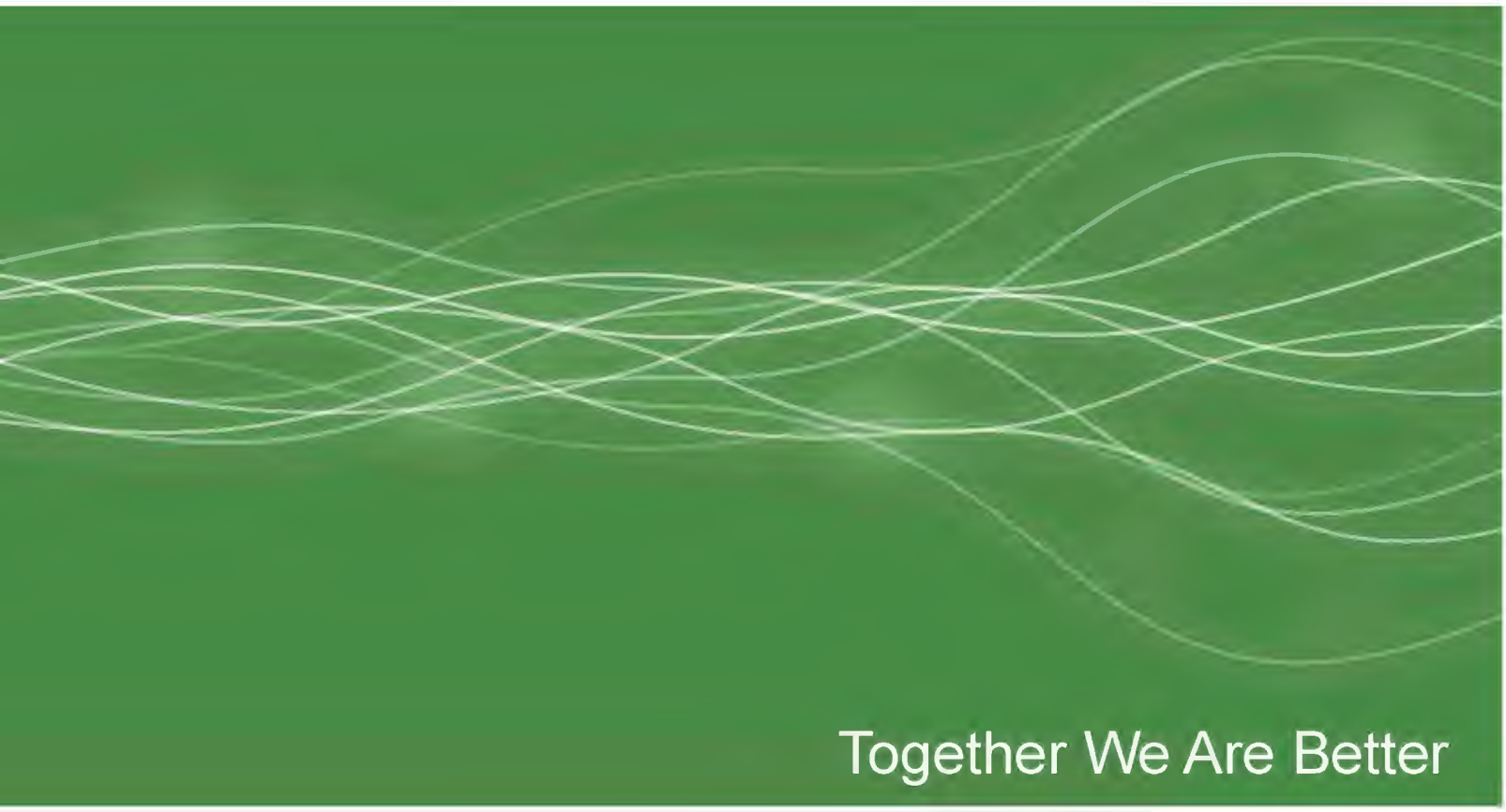
2013

Collus PowerStream Annual Report



Collus PowerStream

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2013 AT A GLANCE

- Total Full-Time Employees: 31
  - Collus PowerStream Solutions: 18
  - Collus PowerStream: 13
- Service Territory: Collingwood, Thornbury, Stayner, Creemore
  - Total Population: 27353
  - Total service area: 45.4 square kilometres
- Total Electricity Consumed: 309.43 GWh
- Electricity Generated by Customers:
  - Customer Feed-in Tariff (FIT) Installations: 1
  - Total electricity generated: 834,728 kilowatt hours
  - Customer microFIT installations: 36
  - Total electricity generated: 269,073 kilowatt hours
- First full year of 50% Strategic Partnership with PowerStream
- Collus PowerStream Customer Survey results in a Utility PULSE Report Card of "A"
- GIS enhanced to include mobile devices for outside workers




- Continuation of strong working relationship with the Town of Collingwood to provide a joint IT Department
- Continuation of shared services for billing, collecting, management, and finance with the Collingwood Public Utilities Service Board
- Launched and leveraged PowerStream's Award Winning Smart Kids Campaign to promote residential conservation programs in the Collus PowerStream service area
- Significantly exceeded most of our CDM program targets for 2013
- Assisted our Partner with 303 man-hours of restoration work due to the 2013 Major Ice Storm
- Completed a Third Party Review of the Collus PowerStream Strategic Partnership that illustrate how the Strategic Partnership has positively impacted the company's ability to serve its customers, protect its employees and provide positive results to its shareholders
- First ever regular annual cash dividend of $367,000 paid to the shareholders




VISION, MISSION AND VALUES

Our Vision

Together, we will grow, maximize opportunities and exceed customers' and shareholders' expectations.

Our Mission

Our business provides people with the energy for success and the necessities of life.

Our Values

Trust - Building & Maintaining Customer Confidence

- We value a work environment based on public accountability, customer satisfaction, respect and giving back to the community.
- When problems arise, they are dealt with quickly, professionally and courteously.
- Citizens recognize our community relationship and responsiveness as key values of local ownership.
- We operate in an environment of openness and transparency while protecting our customers' confidentiality.

Responsibility - Committed to Service Quality, Reliability & Conservation

- We value prudent and responsible financial management.
- We value a high standard of environmental excellence.
- We value superior health and safety standards and practices.
- We value our obligation to protect our customers and staff by exceeding the highest standards of training for our employees.

Sustainability - Environmental, Economic, Social & Cultural

- We value sustainable community planning.
- We value the gold standard of environmental excellence.
- We value the four pillars of sustainability; Environmental, Economic, Social & Cultural.
- We value a sustainable Regional approach.

People - Strong Relationships & Pride Make a Difference

- We value our employees as our most important asset and celebrate their accomplishments.
- We listen, and we respond in the best manner we can.
- We treat people with dignity, fairness and respect.
- We value individual and organizational accountability.
- We value timely, effective, honest, and open communication throughout the organization, with our stakeholders.

Partnerships & Collaborations - Leveraging & Sharing Resources

- We value integrated solutions that eliminate duplication and improve efficiency and effectiveness.
- We value peer and industry partnerships and the opportunity to improve cost and service levels in our community and the communities we serve.

Continuous Improvement - Business Processes & Technology That Delivers Results

- We embrace the opportunity of legislative & regulatory reform and the need to stay "one step ahead."
- We strive to remain at the leading edge of technology.

MESSAGE FROM CO-CHAIR

David McFadden

2013 was an historic year for Collus PowerStream. It was the first full year in which PowerStream was a 50% partner with the Town of Collingwood in the ownership of the company.

The Board of Directors has benefited from the expertise which PowerStream's nominees have brought to Board's discussions and decisions. Joining Mayor Sandra Cooper, David Garner and myself on the Board has been Mayor Jeff Lehman from Barrie, Dan Horchik and Brian Bentz, who is the President of PowerStream and serves with me as Co-Chair of the Board.

In addition to PowerStream's contribution at the Board level, our company has benefited greatly from services provided by PowerStream in such areas as conservation and demand management, training, regulatory compliance and the provision of a 24/7 control room capability.

Electricity has certainly been in the news over the past year for many reasons. Concerns have been raised throughout Ontario about electricity prices while some parts of the province suffered widespread power outages as a result of flooding and ice storms. The customers of Collus PowerStream have been fortunate not to experience the impact of serious floods or ice storms during the past year, but we have not been able to escape the impact of rising electricity costs primarily as a result of the ncrease in the price of power generated in Ontario. However, our shared services arrangements with both PowerStream and the Town of Collingwood have been very valuable in enabling our company to reduce costs. Consequently, in accordance with our 2013 Ontario Energy Board approved rate application we were able to limit the impact of the rate increase to our residential customers to 2%.

Finally, I would like to thank Ed Houghton and our Collus PowerStream management and staff for their hard work over the past year. Through their dedication and expertise, we have had a very productive year from a number of perspectives as this Annual Report indicates. The Ontario electricity sector is facing some significant challenges as mentioned. Nevertheless, our consumers can be confident that the Collus PowerStream team will continue to provide electricity to all of our customers safely, efficiently and reliably.

MESSAGE FROM CO-CHAIR

Brian Bentz

Collus PowerStream's first full year as a utility, jointly-owned by the Town of Collingwood and PowerStream, demonstrated the value of the strategic partnership forged a year earlier between the municipality and Ontario's second-largest community-owned energy company.

Building on the theme of "together we are better", Collus PowerStream in 2013 was able to begin enhancing service offerings to customers by combining the local operational approach of a small utility with the resources available through a larger utility.

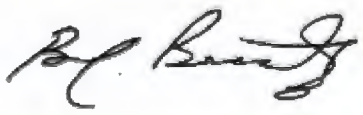
Through our shared services agreement, PowerStream was able to provide additional value to Collus PowerStream in operational areas such as conservation and demand management (CDM), health and safety, system control support as well as rates and regulatory affairs.

For example, some of the support PowerStream provided Collus PowerStream in 2013 facilitated the delivery of several CDM programs to our customers including peaksaverPlus, Heating & Cooling Incentive, Fridge & Freezer Pickup, Small Business Lighting, Business Retrofit as well as discount coupons to consumers for the purchase of energy-efficient products and services. Health and safety support shared with Collus PowerStream included monthly safety meetings and inspections, intelex training as well as access to PowerStream's health and safety information.

The reciprocal nature of the partnership was also demonstrated with Collus PowerStream participating in PowerStream's "Power for Tomorrow" exhibit at the Markham Fair and then later in the year providing crews to assist in PowerStream's power restoration efforts following the 2013 ice storm.

This innovative strategic partnership approach to serving customers is not only unprecedented in Ontario's electricity distribution sector but also continues to serve as a viable alternative to the traditional merger and acquisition consolidation model for other utilities and their municipal shareholders to consider.

As we move forward in an industry that is undergoing transformation on several levels and dealing with what many view as disruptive changes, our collaborative efforts within the framework of the strategic partnership will enable us to take on the challenges and pursue new opportunities for the benefit of our customers and the four communities we serve.



MESSAGE FROM THE PRESIDENT & CEO

Ed Houghton

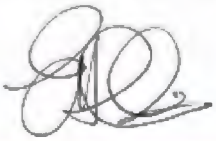
On behalf of the management of Collus PowerStream Corp. and Collus PowerStream Solutions Corp., and our very dedicated employees, we are pleased to provide this Annual Report to our shareholders, the Town of Collingwood and PowerStream Inc. highlighting our 2013 accomplishments.

For over 130 proud years, Collus PowerStream and Collingwood Public Utilities and their predecessor companies have worked together, faithfully and happily serving their customers and providing value to our Shareholder and 2013 was no exception. In fact, Collus PowerStream could celebrate 2013 as a year of outstanding performance as a company, as an employer and now as a partner.

This annual report marks the first year of reporting since the formation of our Strategic Partnership between Collus Power and PowerStream back at the end of July 2012. The objective of the Strategic Partnership was to move our company into a better position to answer the needs, wants and desires of a significantly more engaged customer while at the same time enhance Shareholder Value. We believed strongly in the value of the small local distribution company (LDC) like Collus PowerStream but realized that we needed the significant resources and the bench strength of a much larger LDC for us to be able to survive and to meet the demands of our ever changing environment and engaged customer.

I'm comfortable in saying that since the formation of our strategic partnership, each and every staff person at Collus PowerStream believes we are now in a much better place and now able to better serve our customers for many years to come. We believed this and we knew this to be the case but we felt compelled to prove this. So at the end of 2013, we contracted the services of Consol Asset Group Inc. to perform a "Third Party Review" of the Strategic Partnership and in practical terms identify and quantify the benefits and successes that we have been able to experience. We are also pleased to provide to you this very comprehensive study, simply titled, "Delivering Value to the Customer". Please read Appendix A and see how our unique partnership will allow Collus PowerStream to face the difficult challenges of the near future.

In closing, it is important to note that we continue to keep a very close eye on our industry environment and ensure that we remain one step ahead which in turn ensures that the best interests of our customers and our shareholders are always at the forefront.



OUR CUSTOMERS

Service Connections

Collingwood	12,182
Thornbury	637
Stayner	1,958
Creemore	1,518

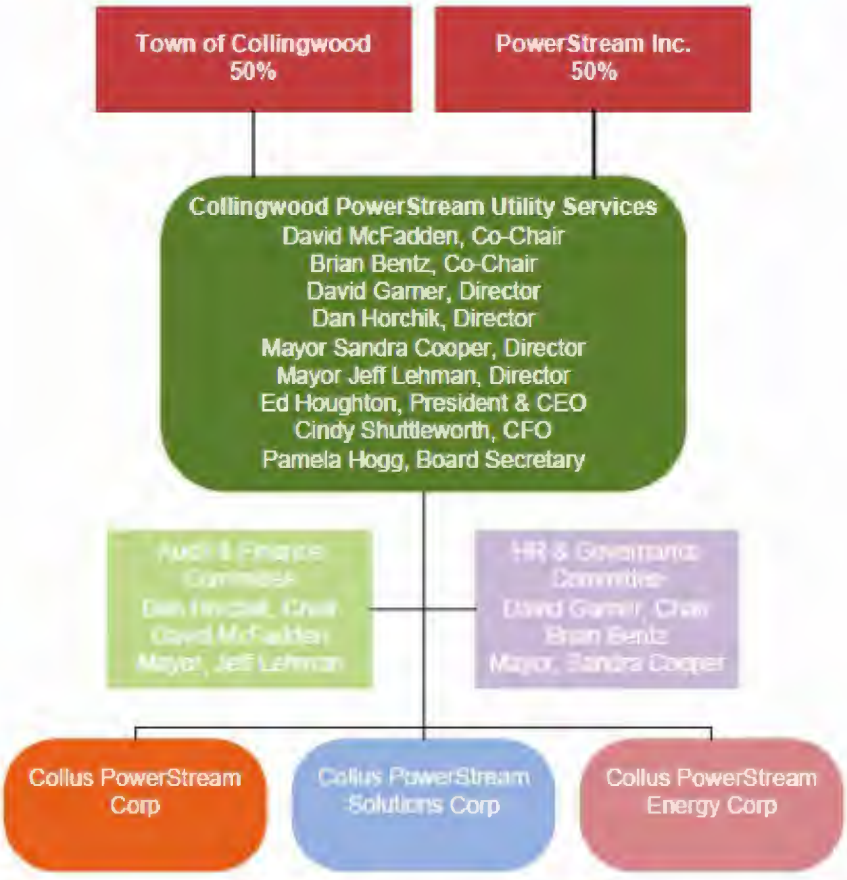
Our Territory

COLLUS POWERSTREAM BOARD OF DIRECTORS

The Board of Directors of Collingwood PowerStream Utility Services is made up of six Directors; three nominated by Collingwood and three nominated by PowerStream. The Board has as its mandate the responsibility for the stewardship of the Corporation on behalf of the shareholders being the Town of Collingwood and PowerStream Inc.

The Board has the responsibility to oversee the conduct of the Corporation's business and to provide policy direction and guidance to management, which is responsible for the day-to-day operations of the Corporation. In providing such direction and guidance, the Board, through the President and Chief Executive Officer, will foster a culture of integrity and ethical conduct throughout the Corporation.

Collingwood PowerStream Utility Services Corp.



OUR BOARD OF DIRECTORS

Brian Bentz
Co-Chair

David McFadden
Co-Chair

David Garner
Director

Mayor Sandra Cooper
Director

Dan Horchik
Director

Jeff Lehman
Director

OUR MANAGEMENT TEAM

Ed Houghton
President & CEO

Larry Irwin
Vice President, Operations

Cindy Shuttleworth
Chief Financial Officer

Glen McAllister
Manager, Billing & Regulatory

Brian Kennedy
Manager, Hydro Services

Pamela Hogg
Executive Assistant to the President & CEO
Manager, Human Resources
Board Secretary

WHAT OUR CUSTOMERS ARE SAYING

HYDRO RESULTS SNAPSHOT:

Ontario	Collus PowerStream	
77%	82%	Credibility and Trust rating
83%	90%	Customer Satisfaction
25%	15%	Billing problems
61%	65%	Problems solved
79%	84%	CEPr: Customer Experience Performance rating
86%	92%	Provides reliable electricity
83%	89%	Quickly restores power
87%	88%	Electricity safety is a top priority
62%	73%	Operates a cost effective electricity system
80%	85%	Overall the utility provides excellent quality services
77%	82%	Leader in promoting energy conservation
63%	68%	Provides good value
76%	80%	CCEI: Customer Centric Engagement Index
17%	22%	Loyalty: Secure customers
B+	A	Report Card

Collus PowerStream's UtilityPULSE Report Card®			
	Category	Collus PowerStream	Ontario
1	**Customer Care**	B+	B
	Price and Value	B	C+
	Customer Service	A	B
2	**Company Image**	A	B+
	Company Leadership	A	B+
	Corporate Stewardship	A	B+
3	**Management Operations**	A	A
	Operational Effectiveness	A	B+
	Power Quality & Reliability	A+	A
	Overall	**A**	**B+**

"B+... Customer Care" **"A... Company Image"** **"A... Management Operations"**

GEOGRAPHIC INFORMATION SYSTEM (GIS)

Since 2007 the Geographical Information System (GIS) has continued to grow and become a key player in the everyday operations at Collus PowerStream. From everyday work orders to complex analysis, the GIS is used by the Operations, Engineering, Customer Service and Finance departments.

In 2013, the GIS was successfully used to analyze assets, forecast projects and calculate associated costs for the Cost of Service Application for the Ontario Energy Board (OEB). The GIS will be used annually on a go forward basis to upkeep this data.

With the use of the GIS, new data layers were added to institute a more productive method for tracking work orders. The new streamlined process will provide an efficient reporting on work orders on a daily basis or at year end.

With the addition of mobile devices for outside workers, up to date mobile mapping is now accessible to all IOS & Android devices. The GIS continues to be used for the collection of ESA inspections and the tree trimming program within the Collus PowerStream service area.

During the latter half of 2013, the PowerStream control room took over the dispatching of after-hours calls for our service territory. Control Room Operators at PowerStream rely heavily on the GIS for mapping, switching and service territory boundaries when dealing with after hour calls.

Projects in the near future include the creation of an online outage map, as well as an upgrade to the current GIS server (to a virtual platform and the latest version of ArcGIS, 10.2).

INFORMATION TECHNOLOGY

Our unique partnership with the Town of Collingwood where we provide shared technology infrastructure and staffing has continued to work well for all parties. This partnership has grown to the point where we are now currently supporting a total of:

- 223 Network Users
- 214 Workstations
- 10 Physical Servers
- 31 Virtual Servers
- 10 Facilities

In 2013 we continued virtualizing our server infrastructure. We now have 31 virtual servers with only 3 left to be converted from physical in the near future. We completed a phone system upgrade to a modernized system which can fully leverage new technologies like SIP for voice and video. The Collus PowerStream website is currently undergoing an upgrade process which will give us a fluid and responsive design on desktop and mobile devices. Our helpdesk system logged 1300 tickets in 2013.

GREEN ENERGY & SMART GRID

Green Energy

Under the OPA administered microFIT and FIT programs, renewable distributed generation continues to develop in the Collus PowerStream service area. Collus PowerStream has worked cooperatively with applicants and successfully connected 39 microFIT and FIT projects throughout its service area for a total of approximately 500 kW of renewable generation.

SMART Grid & SCADA

As mandated by the Ontario Government, Collus PowerStream has completed the installation of Smart Meters to all customers and implemented TOU Billing. Future plans for smart grid development include a real time interface between Smart Metering, SCADA and OMS. Collus PowerStream continues to monitor Smart Grid development pilots around the province and other jurisdictions.

Afterhours Dispatch & Data Communications

Collus PowerStream successfully engineered and implemented a secure link from its main offices at 43 Stewart Road in Collingwood to PowerStream Inc's Head Office at Cityview in Vaughan. It includes interfaces to the Collus PowerStream two-way radio Communications system, SCADA and GIS and has allowed for integration of Collus PowerStream systems into their Control Room Facilities. With this enhancement PowerStream's Control Room Operators now provide after hours and weekend Trouble Call and Dispatch services to Collus PowerStream Customers and Staff.

CONSERVATION & DEMAND MANAGEMENT

As impressive as Collus PowerStream's Conservation and Demand Management (CDM) results have been since the company first began delivering electricity conservation programs within its service territory in 2008, the figures for 2013 surpassed anything that had been achieved in previous years. Results from the residential and business saveONenergy conservation programs helped to achieve electricity savings within its service territory of 1.5 million kilowatt-hours, enough to power 156 homes for one year.

In fact, Collus PowerStream significantly exceeded most of our CDM program targets for the year. The 113 small business customers that received energy-efficiency upgrades under the SMALL BUSINESS LIGHTING program resulted in us exceeding the program target by 126 per cent. The 21 large business projects completed through the RETROFIT PROGRAM was 110 per cent above target and the 260 programmable thermostats and in-home display's installed under the peaksaverPLUS® demand response program exceeded target by 160 per cent. A summary of the programs, their targets and what was achieved in 2013 is shown below.

New to the Collus PowerStream residential conservation portfolio is the peaksaverPLUS program, which was launched in August 2013. This demand response program is available to residential customers with central AC and helps utilities like Collus PowerStream manage the stress on the provincial electricity grid on the hottest days of the year. For their participation in the program customers receive the free installation of a Honeywell touchscreen programmable thermostat and in-home energy display.

Business conservation programs such as the RETROFIT PROGRAM and SMALL BUSINESS LIGHTING have assisted Collus PowerStream's

Program	Target	Actual	Target % Achieved
peaksaverPLUS	100 installs	260	260%
Heating & Cooling Incentive	111	138	132%
Fridge & Freezer Pickup	50	45	88%
COUPONS	1,000	4,375	330%
Small Business Lighting	50 projects	113	225%
RETROFIT	10 projects	21	210%

business customers to cut their electricity costs, reduce their energy demand in the community and help contribute to a cleaner environment.

In 2013 local glass manufacturer AGNORA completed their third RETORFIT application and they were subsequently recognized by Collus PowerStream as a Community Energy Conservation Champion. As of the end of 2013 AGNORA has received a total of $43,690 in incentives through the RETROFIT PROGRAM and saved 311,479 kilowatt-hours and they still have additional projects in the work. Heli Vogin, owner of Heavenly Sweets Café in downtown Collingwood was an early adopter of the SMALL BUSINESS LIGHTING program. By participating in the program she has reduced her business' monthly electricity costs while improving the lighting quality in her café.

Our Conservation and Demand Management (CDM) results for the year were outstanding. This shows that our customers are interested and willing to engage in electricity conservation programs, which is great news as we will continue to offer and promote conservation programs and incentives to our customers in the years to come.

Collus PowerStream 2013 CDM Highlights:

- Launched the peaksaverPLUS program and installed thermostats and in home displays for more than 260 Collus PowerStream customers
- Removed and recycled 45 old, inefficient fridges and freezers through the FRIDGE & FREEZER PICKUP
- 138 Collus PowerStream customers took advantage of the HEATING & COOLING INCENTIVE and rebates on HVAC equipment
- Supported 29 income qualified customers participate in the HOME ASSISTANCE PROGRAM
- 4,375 energy efficient products sold with saveONenergy discount Coupons/Retailer Events
- 112 small businesses received a total of $125,730 free lighting upgrades through the Small Business Lighting program
- $159,808 in incentives paid towards 21 energy efficiency RETROFIT projects
- Held community Energy Conservation Day at Collingwood Canadian Tire
- Had community conservation booth at the Great Northern Exhibition
- Launched and leveraged PowerStream's Award Winning Smart Kids Campaign to promote residential conservation programs in the Collus PowerStream service area

HYDRO OPERATIONS

Locating Underground Infrastructure

The recent passing of the Underground Infrastructure Notification System Act and our requirement to enroll with Ontario One Call's (ON1Call) 'Call before You Dig' program has resulted in an increase of almost 35% from previous years locate requests. In 2013 Collus PowerStream completed 3068 locate requests!

Overhead & Underground Electric Achievements

Collus PowerStream continues to follow good Utility practices and the Distribution Service Code with its annual Vegetation Management program. In 2013 the eastern portion of the Collingwood service territory which contains approximately 52km of Poleline corridor was inspected for deficiencies, followed by any required vegetation management, in order to maintain adequate clearances around our overhead distribution lines.

Significant projects completed in 2013 included the following:

- Complete rebuild of approximately 600 meters of poleline along Simcoe Street.
- New 3 Phase service connections for the new Municipal Fire hall, Arena and Pool projects in Collingwood.
- A New 44kV service for Goodall Rubber on Third Street in Collingwood.
- Commissioned the third phase of Mountain Croft Subdivision, located along poplar side road.
- Reconstructed and upgraded the Pole Line on Elizabeth St in Creemore, for the expansion of the Creemore brewery.
- 247 Minor Rebuilds, Pole changes, Transformer and electrical service upgrades.
- 139 new customer services.
- 202 disconnects and reconnects for upgrades to existing customer services.
- 194 visual ESA inspections were complete within the Town of Stayner and the east half of Collingwood for deficiencies among the overhead distribution lines, in order to maintain the infrastructure and remain in compliance with Reg 22/04.

Substation Maintenance

In 2013 the following stations underwent scheduled maintenance:

- MS1 Stayner
- MS2 Stayner
- MS2 Collingwood
- MS3 Collingwood

Additionally, all other Utility owned Municipal Substations transformers had their annual visual inspections as well as oil analysis in 2013

Unplanned Outages

There were a number of notable storm related outages in 2013 where staff was called upon to worked extended periods of time to restore service to our customers.

- May 31st - 92 man-hours hours.
- July 19th - 57 man-hours hours.
- Nov 18th - 51 man-hours hours.
- Dec 21st thru Dec 31st – 303 man-hours hours assisting our strategic partner (PowerStream) with restoration work due to the Major Ice Storm event that hit the GTA.

THE COLLUS POWERSTREAM PARTNERSHIP

Consol Asset Group appreciated the opportunity to work with the Collus PowerStream team to review, understand and document the benefits and successes of the unique Collus PowerStream strategic partnership that commenced with PowerStream Inc., in 2012. The finished report titled Third Party Review of the Collus PowerStream Strategic Partnership includes fourteen case studies that illustrate how the strategic partnership has positively impacted the company's ability to serve its customers, protect its employees and provide positive results to its shareholder. The full report is available as Appendix A.

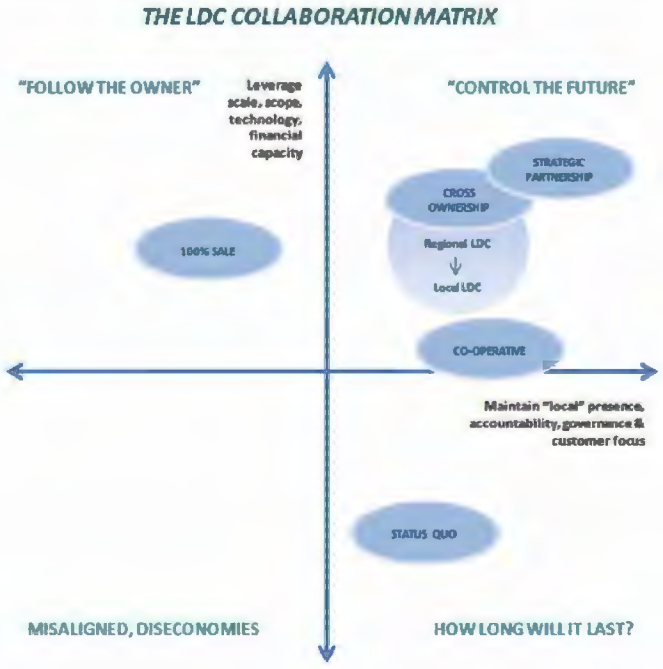
Some of the highlighted benefits include leveraging PowerStream's scale to serve the increasing demands of its customers, to rapidly implement conservation programs, to provide the tools and job security to further engage its employees, to implement the latest in technology advancements and to ensure the long-term operational and financial stability of Collus PowerStream as it supports the people of Collingwood, Stayner, Thornbury and Creemore.

Collus PowerStream pioneered the strategic partnership collaboration model as a viable alternative to the traditional merger and acquisition model so that today it still maintains local governance, provides local employment, continues to pay dividends to the municipality and keeps the long serving heritage of contributing to the community and delivering value to its customers.

Background

The purpose of this report is to have Consol Asset review, in practical terms, the benefits and successes that Collus PowerStream has been able to experience since its strategic partnership with PowerStream in July 2012.

The LDC business model is expeditiously shifting from a simple utility focused on selling a commodity typically from an expanding asset base of centralized generation and traditional delivery infrastructure to a more complex, integrated energy services provider serving the increasing demands of the engaged customer with an information-enabled infrastructure in a distributed generation environment.



The LDC customer today has moved from being a passive "bill payer" to a customer that is now engaged in its energy micro grid. Customers' expectations will continue to increase from information on demand, cost justifications, higher degrees of control and personalized interaction channels.

On July 31, 2012 PowerStream purchased a 50% interest in Collingwood Utility Services Corp. from the Town of Collingwood. In addition to the Town of Collingwood receiving proceeds from the sale, the utility - later rebranded as Collus PowerStream - would also be able to secure services from PowerStream through mutually agreed upon shared service agreements. Enhancing service offerings to customers by combining the local operational approach of a local utility with the resources available through a regional utility was the thinking behind the strategic partnership. Collus PowerStream pioneered the strategic partnership as a viable alternative to the traditional merger and acquisition consolidation model and delivers a solution to the Ontario Government's request to seek efficiencies from the distribution sector.

As evidenced by the UtilityPulse Report Card results from 2010 and 2014, Collus PowerStream consistently maintains its customer satisfaction and exceeds the performance of its Ontario and National peer groups. Collus still remains a small LDC providing direct service to its population of 16,000 customers from its legacy offices on 43 Stewart Drive in Collingwood with the same employee base that it had prior to the strategic partnership transaction.

"Credit must be given to the former Collus Power Board and specifically our Chairman, the late Dean Muncaster, for pushing the Board and Senior Management to look out beyond routine thinking and to find a business model that enhances value to our customer and to our Shareholder while protecting the interests of all our employees. The measurable successes we have had after our first eighteen months prove that we are on the right track."

Ed Houghton, President & CEO Collus PowerStream

Benefits of the Strategic Partnership

1. *Complimentary Vision, Mission and Values.* Collus and PowerStream each have a strategic vision, mission and values that compliments each other to describe their future as a regulated electric utility. This will enable the company to effectively implement it's business plan to deliver clean, affordable and reliable energy to its customers now and in the future.

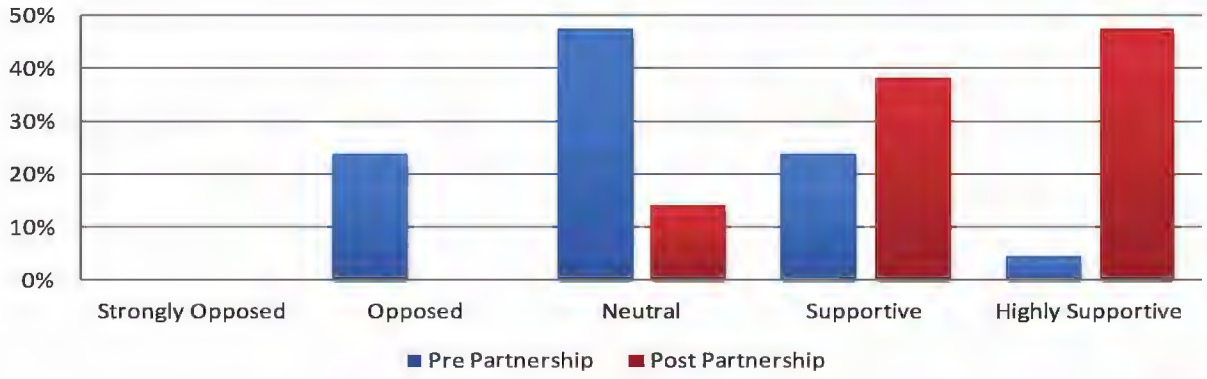
2. *Platform to Leverage Scale*. Ability to leverage the size of PowerStream's operations and diversity compared to those of Collus PowerStream on a standalone basis. To provide (i) enhanced operational stability, (ii) greater ability to execute Conservation and Demand Management programs, (iii) greater ability to validate business strategy execution risk with a leading, large LDC, (iv) increase asset utilization and share reinvestment programs, (v) a stronger voice in shaping Provincial energy and economic development policies, and (vi) allow for additional options for future potential strategic transactions.

3. *Complementary Geographic Coverage and Potential Future Diversity*. Ability to take advantage of balanced coverage throughout Central Ontario, where Collus PowerStream and PowerStream have complementary geographic coverage. In addition, Collus PowerStream sees value and potential in augmenting its geographic diversity with strategically partnering with other adjacent LDCs to create increases in scale and scope.

4. *Employee Engagement and Combined Expertise.* Will combine complementary areas of expertise drawing on the intellectual capital, technical expertise and experience of a deeper and more diverse workforce. In order to capture the perspective of the Collus PowerStream employees as it pertains to the benefits and successes of the strategic partnership, an internal employee survey was conducted to measure the responses to ten key questions from a "pre-partnership" and "post-partnership" point of view. The survey was distributed to all 28 dedicated employees across all departments using a third-party survey software which ensured that the responses were posted anonymously so that the employees would be able to posts results freely and candidly.

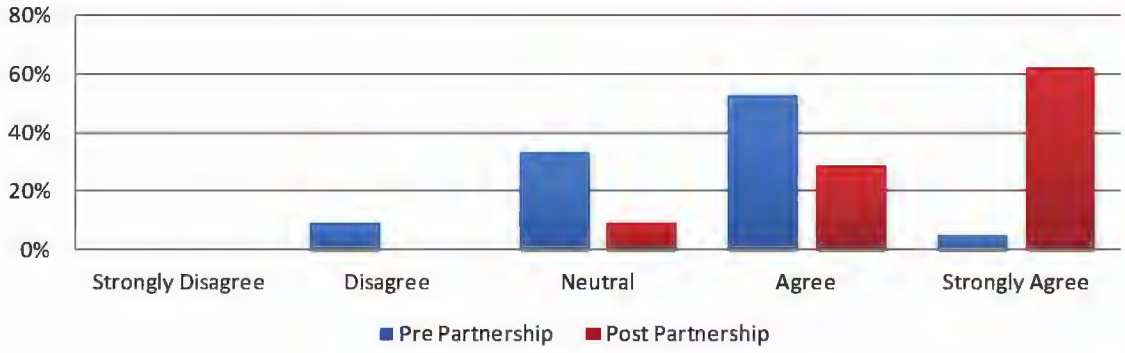
Job Security Given the Current Status in the Electricity Industry

Collus PowerStream Employee Survey



Maintain Local Presence, Local Accountability and Local Customer Experience

Collus PowerStream Employee Survey



The employee survey results clearly demonstrated that the people of Collus considered that the strategic partnership truly shifted their actions, behaviours and sentiments from a relatively satisfactory position pre-partnership to definitive agreement that the partnership increased value to the customer, provided more effective and efficient resources to do their day-to-day tasks, increased job security, provided leading-edge technologies and has increased the employees' overall confidence in the future.

5. *Value to Our Customers*. As with all business combinations, there was a definite concern regarding how the strategic partnership would impact the customer – potential results could be negative, positive or have no real visibility to the customer. Considering that the strategic partnership has continued to allow Collus PowerStream to have local presence, local accountability and local customer servicing, the impact of the strategic partnership has been seamless in the face of the customer throughout 2012 and 2013.

6. *Leverage Key Advancements in Future Technologies*. PowerStream's constant pursuit of developing and implementing innovative technologies to positively impact costs, services and value to the customer will be a key leverage point for Collus PowerStream, who would not be able to progress as quickly—and as effectively—on the steepening technology curve if it was operating as a stand-alone utility.

7. *Cash Proceeds from Sale of Shares and Dividend Recapitalization.* As part of the transaction with PowerStream, the Town of Collingwood received cash proceeds as consideration for 50% of the common shares of the company and a further cash injection of millions as a unique dividend recapitalization that only PowerStream included as part of their response to the RFP.

8. *Increased Financial and Operational Stability.* By having PowerStream as a 50% owner, the company has aligned with a LDC that employs over 550 people to assist Collus PowerStream, and has stable and consistent cash flows earning net income of $28 million in 2012 and a strong balance sheet with over $345 million in shareholders' equity. Continuing its track record of realizing benefits from the strategic partnership with PowerStream, Collus PowerStream earned its highest annual net income in 2013. As a consequence, Collus PowerStream will be able to issue a material cash dividend payment to the Town of Collingwood and PowerStream which it has previously not been able to do in recent history, not including the strategic partnership dividend recapitalization.

9. *Leveraging the Collus PowerStream Strategic Partnership in Ontario's LDC Market.* The strategic partnership between Collus PowerStream and PowerStream is an example of an innovative, pioneering, collaborative structure that can be a viable alternative for other local LDCs to understand and discuss as they determine the most appropriate path for their LDC in the future.

COLLUS POWERSTREAM
Financial Statements
December 31, 2013

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

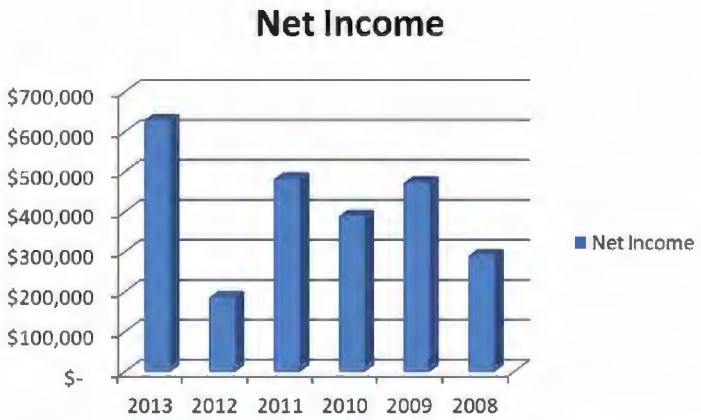
Cindy Shuttleworth

Recognizing the transformation and complexity of the electricity industry in the face of a wide range of issues and opportunities, Collus PowerStream has identified powerful strategies for success. Most municipalities and Local Distribution Companies understand the status quo will not serve the citizens of the province well in the decades to come. As we think about the multifaceted challenges facing the electricity industry and the required leadership of all stakeholders we must remember, 'what you don't do can hurt you' and 'to act requires courage'. The strategic partnership we have formed with PowerStream was a unique and innovative strategy for creating meaningful value in the growth, stability and sustainability of the utility into the future.

Collus PowerStream completed a very strong year in 2013. Our consolidated net income is the highest we have achieved since incorporation back in 2000, which allows us to re-invest in infrastructure and to pay dividends that flow back to the municipalities of the shareholders. This was achieved through productivity and efficiency measures rather than increases to rates charged. We executed well on major capital projects that are now delivering benefits to our customers. We invested approximately $1.5 million in 2013 to strengthen electric infrastructure and help us serve our customers even better. At the end of 2013 we saw a growth rate of about 1% in the number of active customer connections.

We would like to extend our thanks to all our colleagues at Collus PowerStream for their support over the past year and to our Board for its wisdom and guidance. These people are the key to success in providing value-creating solutions and services to our customers and our shareholders.

Cindy Shuttleworth



Collingwood PowerStream Utility Services Corp.

Consolidated Financial Statements

For the year ended December 31, 2013

Collingwood PowerStream Utility Services Corp.
Consolidated Financial Statements
For the year ended December 31, 2013

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Collingwood PowerStream Utility Services Corp.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Collingwood PowerStream Utility Services Corp., which comprise the consolidated balance sheet as at December 31, 2013, the consolidated statement of operations and deficit and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in the summary of significant accounting policies attached to the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Collingwood PowerStream Utility Services Corp. as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies attached to the consolidated financial statements.

GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

Emphasis of Matter

Without modifying our opinion, we draw attention to the summary of significant accounting policies included in the notes to the financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements, and the significant differences between such basis of accounting and Canadian generally accepted accounting standards.

Gaviller & Company LLP

Licensed Public Accountants
Collingwood, Ontario
March 17, 2014

Collingwood PowerStream Utility Services Corp.
Consolidated Balance Sheet

as at December 31		2013	2012
Assets			
Current			
Cash and bank	(Note 9)	**$ 2,011,873**	$ 4,390,146
Accounts receivable	(Note 10)	**3,535,047**	3,562,917
Unbilled energy revenue		**3,513,375**	3,135,280
Inventory		**271,284**	309,984
Payments in lieu of corporate taxes receivable	(Note 11)	**80,087**	171,602
Prepaid expenses		**130,123**	223,422
		9,541,789	11,793,351
Future taxes recoverable	(Note 12)	**831,603**	849,295
Long-term investments	(Note 13)	**100**	100
Property, plant and equipment	(Note 14)	**15,075,219**	15,180,302
Computer software	(Note 15)	**44,660**	100,440
Regulatory assets	(Note 16)	**2,165,640**	1,144,339
Deferred charges	(Note 17)	**355,745**	113,105
Goodwill		**276,704**	276,704
		$ 28,291,460	$ 29,457,636
Liabilities and Shareholder's Equity			
Current			
Accounts payable and accrued liabilities	(Note 18)	**$ 6,669,687**	$ 7,160,980
Customer deposits and credit balances		**638,327**	650,516
Current portion of long-term debt	(Note 19)	**371,884**	354,628
Deferred program funding		**302,037**	-
		7,981,935	8,166,124
Long-term customer deposits		**220,874**	253,862
Long-term debt	(Note 19)	**10,445,918**	10,117,802
Employee future benefits	(Note 20)	**778,944**	743,179
Regulatory liabilities	(Note 16)	**1,183,885**	2,764,077
Deferred program funding		**1,622**	361,897
		20,613,178	22,406,941
Shareholder's equity			
Share capital	(Note 22)	**5,101,640**	5,101,640
Miscellaneous paid in capital		**2,966,014**	2,966,014
Deficit		**(389,372)**	(1,016,959)
		7,678,282	7,050,695
		$ 28,291,460	$ 29,457,636

On behalf of the Board:

Director Director

The accompanying notes are an integral part of these financial statements.

Collingwood PowerStream Utility Services Corp.
Consolidated Statement of Operations and Deficit

For the year ended December 31		2013	2012
Revenues			
Sale of energy		**$ 29,953,202**	$ 29,120,278
Distribution revenue		**5,550,535**	5,456,009
Smart meter distribution revenue	(Note 28)	**547,982**	1,402,131
Other revenue		**483,828**	465,569
Administrative service and miscellaneous revenue		**1,061,691**	1,294,738
		37,597,238	37,738,725
Cost of power purchased		**29,953,202**	29,120,278
		7,644,036	8,618,447
Operating expenses			
Amortization	(Note 29)	**893,188**	1,739,853
Billing and collecting	(Note 30)	**992,380**	1,218,737
Operations and maintenance		**2,053,457**	2,100,012
General and administrative		**2,443,879**	2,741,274
Interest on long-term debt		**446,692**	330,323
Interest - other		**30,627**	104,044
Loss on disposal		**47,391**	-
Other deductions - donations and LEAP		**15,169**	32,918
		6,922,783	8,267,161
Income before taxes		**721,253**	351,286
Provision for payments in lieu of corporate taxes	(Note 11)	**101,781**	(6,488)
Future taxes	(Note 12)	**(8,115)**	173,260
		93,666	166,772
Net income for the year		**627,587**	184,514
Retained earnings (deficit), beginning of year		**(1,016,959)**	3,396,916
Dividends	(Note 23)	**-**	4,598,389
Deficit, end of year		**$ (389,372)**	$ (1,016,959)

The accompanying notes are an integral part of these financial statements.

Collingwood PowerStream Utility Services Corp.
Consolidated Statement of Cash Flows

For the year ended December 31		2013	2012
Cash flows from operating activities			
Net income for the year		**$ 627,587**	$ 184,514
Adjustments for items not affecting cash:			
Amortization	(Note 29)	**893,188**	1,739,853
Vehicle amortization, charged to other accts	(Note 29)	**195,950**	179,188
Loss on disposal		**47,391**	-
Employee future benefits		**35,765**	23,768
Future taxes		**(8,115)**	173,260
		1,791,766	2,300,583
Changes in non-cash working capital:			
Accounts receivable		**27,870**	2,023,235
Unbilled energy revenue		**(378,095)**	(131,581)
Inventory		**38,700**	11,815
Payments in lieu of corporate taxes		**91,514**	(237,927)
Prepaid expenses		**93,300**	(103,600)
Accounts payable and accrued liabilities		**(491,293)**	996,109
Customer deposits and credit balances		**(12,189)**	(148,675)
		1,161,573	4,709,959
Cash flows from investing activities			
Purchase of property, plant and equipment	(Note 14)	**(1,402,876)**	(2,100,521)
Proceeds from contributed capital	(Note 14)	**323,111**	339,434
Purchase of computer software		**(37,001)**	(4,225)
Net decrease in regulatory assets/liabilities, after transfers		**(2,426,426)**	(1,513,680)
Net decrease from deferred charges		**(250,800)**	(23,400)
		(3,793,992)	(3,302,392)
Cash flows from financing activities			
Deferred program funding		**(58,238)**	203,659
Decrease in long-term customer deposits		**(32,988)**	(5,787)
Proceeds of long-term debt		**700,000**	6,300,000
Repayments of long-term debt		**(354,628)**	(237,740)
Dividends paid	(Note 23)	**-**	(4,598,389)
		254,146	1,661,743
Increase (decrease) in cash during the year		**(2,378,273)**	3,069,310
Cash and bank, beginning of year		**4,390,146**	1,320,836
Cash and bank, end of year		**$ 2,011,873**	$ 4,390,146

See Note 24 Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

Collingwood PowerStream Utility Services Corp.
Notes to Consolidated Financial Statements
December 31, 2013

1. Nature of Business

Collingwood PowerStream Utility Services Corp. (the "corporation") (fomerly known as Collingwood Utility Services Corp.) and its subsidiaries were incorporated on April 13, 2000, under the Business Corporations Act (Ontario). The corportion is owned 50% by the Town of Collingwood and 50% by PowerStream Inc. The corporation is a holding company for the following three wholly-owned subsidiaries:

(i) Collus PowerStream Corp. distributes electricity in the service area of Collingwood, Thornbury, Stayner, and Creemore in the Province of Ontario, under licences issued by the Ontario Energy Board ("OEB"). The subsidiary is regulated under the OEB and adjustments to the distribution rates require OEB approval.

(ii) Collus PowerStream Solutions Corp. provides shared employee services in the areas of management, billing, collecting, and customer service to Collus PowerStream Corp. for electricity billings and The Town of Collingwood for water and sewer billings.

(iii) Collus PowerStream Energy Corp. has remained an inactive company since incorporation.

2. Basis of Consolidation

The consolidated financial statements include the accounts of Collingwood PowerStream Utility Services Corp. and its wholly-owned operating subsidiaries, including Collus PowerStream Corp., Collus PowerStream Solutions Corp., and Collus PowerStream Energy Corp. All intercompany transactions and balances are eliminated upon consolidation.

3. Basis of Presentation

The corporation's consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles ("CGAAP") and accounting policies provided by its regulator, the OEB, as contained in the Accounting Procedures Handbook for Electric Distribution Utilities ("AP Handbook"), issued under the authority of the Ontario Energy Board Act, 1998.

In its capacity to approve or set rates, the OEB has the authority to specify regulatory treatments that may result in accounting treatments that differ from CGAAP. Due to the regulatory framework, the timing of recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from that otherwise expected under CGAAP for non-rate regulated enterprises. The corporation has determined that its assets and liabilities arising from rate-regulated activities qualify for recognition under CGAAP and this recognition is consistent with the U.S. Statement of Financial Accounting Standards No. 71 - "Accounting for the Effects of Certain Types of Regulation".

4. Regulation and Rate Setting

The corporation is regulated by the OEB under authority of the Electricity Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and ensuring the fulfillment of obligations to connect and service customers. The OEB sets the corporation's rates on an annual basis with rates becoming effective on May 1st through April 30th of the following year. The regulation and monitoring of Ontario's Energy Sector is completed by the OEB through the application of codes, rules and guidelines, licensing of market participants, assisting firms with the management of regulatory requirements, monitoring and enforcing compliance and adjudication.

5. Significant Accounting Policies

The preparation and presentation of financial statements can be significantly affected by the accounting policies selected by a corporation. The consolidated financial statements reflect the following significant accounting policies, which are an integral part of understanding them.

(a) Inventory

Inventory consists of parts and supplies valued at the lower of cost and net realizable value. The cost of the corporation's inventory is valued using the moving average cost method.

(b) Long-term Investments

The corporation records its long-term investments using the cost method.

5. Significant Accounting Policies Continued

(c) Property, Plant and Equipment

Property, plant and equipment ("PP&E") is recorded at cost less accumulated amortization. Costs include materials, labour, contracted services, vehicle and equipment usage, and engineering costs. Certain PP&E assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. Such contributions, whether in cash or in-kind, are offset against the related PP&E asset cost. Contributions in-kind are valued at their fair value at the date of their contribution.

PP&E is derecognized at its carrying value when it is disposed of or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of PP&E is determined as the difference between the proceeds from sale and the carrying amount of the asset, and is recognized in the income statement.

Amortization of PP&E is provided for on a straight-line basis over the estimated service life of the assets. Half of a year's amortization is taken for the first year, regardless of when the property was actually put into service during the year. Amortization of contributions from developers or customers is provided for at the rates corresponding with the useful lives of the related PP&E. The estimated service lives of the various assets used in calculating amortization are summarized below:

	NEW	OLD
Buildings	50 years	30 - 60 years
Distribution stations	20 - 45 years	30 years
Distribution lines	40 - 60 years	25 years
Distribution transformers	40 years	25 years
Distribution services	40 years	25 years
Distribution meters	15 years	15 years
Smart meters	15 years	15 years
Office equipment	10 years	10 years
Tools and equipment	10 years	10 years
Vehicles	5 - 8 years	5 - 8 years
Communication equipment	10 years	10 years
System supervisory equipment	15 years	15 years
Contributed capital	40 - 45 years	25 years

Spare meters, transformers and all other major spare parts and equipment specifically designated as standby for field service are capitalized in PP&E and amortized when they are put into service. Construction in progress is included in property, plant and equipment and not amortized until the project is complete.

5. Significant Accounting Policies Continued

(d) Computer Software

Computer software is stated at cost and amortized on a straight-line basis over the estimated useful life. Half of a year's amortization is taken for the first year.

Computer software..... 5 years

(e) Goodwill

Goodwill represents the cost of acquired local distribution companies in excess of fair value of the net identifiable assets purchased. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill impairment is assessed based on a comparison of the fair value of the reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. When the carrying amount of goodwill exceeds the implied fair value of goodwill an impairment loss is recognized in an amount equal to the excess.

(f) Regulatory Assets and Liabilities

Regulatory assets and liabilities represent costs and revenues that have been deferred and that are expected to be disposed of through future rates. Retail Settlement Variance Accounts ("RSVA") are required to be recorded by the OEB and arise from differences in amounts billed to customers and retailers and the cost to the corporation, for electricity, wholesale market services and transmission services. The corporation accrues interest on regulatory assets and liabilities as permitted by the OEB.

The corporation assesses the likelihood of recovery of these regulatory assets and liabilities and records a provision when necessary. The corporation believes that it is probable that its regulatory assets and liability balances will be factored into the setting of future rates.

In the absence of rate regulation, the regulatory assets and liabilities would be recognized in income in the period to which they relate.

(g) Impairment of Long-Lived Assets

The corporation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount is not recoverable. Any resulting impairment loss is recorded in the period in which the impairment occurs.

(h) Deposits

Customer deposits are collections from customers to guarantee the payment of energy bills and fulfillment of construction obligations. Deposits estimated to be refundable to customers within the next fiscal year are classified as a current liability. Interest is paid on customer deposits.

(i) Payments in Lieu (PIL) of Corporate Taxes

The corporation is a municipal electricity utility ("MEU") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a MEU the corporation is exempt from tax under the Income Tax Act (Canada) ("ITA"), the Taxation Act, 2007 (Ontario) ("TA"), and the Corporations Tax Act (Ontario) ("CTA"). The corporation is required to make, for each taxation year, a PILs payment to the Ontario Electricity Financial Corporation in an amount equal to the tax that it would be liable to pay under the ITA and the TA. The corporation uses the liability method of accounting for income taxes.

5. Significant Accounting Policies Continued

(j) Future Taxes

The corporation follows the liability method of accounting for income taxes. Under this method, future taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. Where the corporation expects the future taxes to be recovered from or refunded to the customers as part of the rate setting process, the future tax assets and liabilities result in an off-setting regulatory liability or asset account, otherwise the future tax assets and liabilities result in a future provision that is charged to the statement of operations and retained earnings.

(k) Pension Plan

The corporation offers a pension plan for its full-time employees through the Ontario Municipal Employee Retirement System ("OMERS"). OMERS is a multi-employer, contributory, public sector pension fund established for employees of municipalities, local boards and school boards in Ontario. Participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The corporation accounts for its participation in OMERS as a defined benefit plan and recognizes the expense related to this plan as contributions are made.

(l) Other Post-Employment Benefits

Employee future benefits other than pension provided by the corporation include medical, dental and life insurance benefits. These plans provide benefits to employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis.

The accrued benefit obligations and the current service costs are calculated using the projected benefit method, prorated on service, and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gains or losses over 10% of the accrued benefit obligation is amortized into expense over the average remaining service period of active employees to full eligibility.

(m) Revenue Recognition

Revenues from the sale and distribution of electricity are recorded on a basis of cyclical billings and also include unbilled revenues accrued in respect of electricity delivered but not yet billed. The unbilled revenue is calculated by prorating the consumption of electricity by customers since their last meter reading date for consumption to December 31, 2013. Actual results could differ from estimates made of electricity usage.

Regulatory accounting procedures require monthly adjustments to reduce the higher of the sale of energy revenue or the cost of power purchased expense with an offsetting entry to the related RSVA accounts.

Other revenues, which include revenues from pole attachment, customer demand work, and other administrative revenues are recognized at the time the service is provided.

5. Significant Accounting Policies Continued

(n) Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with CGAAP requires management to make estimates and assumptions which affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingencies at the financial statement date. The estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances.

Accounts receivable, unbilled revenue, inventory and regulatory assets are reported based on amounts expected to be recovered, which reflect an appropriate allowance for unrecoverable amounts. The useful lives of PP&E have been estimated in order to reflect the appropriate net book value of the assets. The fair value of goodwill is estimated for impairment testing. Other significant areas requiring the use of management estimates include accrued liabilities, regulatory liabilities, employee future benefits, payments in lieu of corporate taxes, and future taxes, which are reported based on expected payments or recoveries.

Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.

(o) Financial Instruments

All financial instruments are included on the balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The carrying amounts of current instruments approximate fair value because of their short-term maturity. The corporation classifies its financial instruments into one of the following categories:

Held-for-trading: is comprised of cash and bank and is carried at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables: are comprised of accounts receivable and unbilled revenue and are measured at amortized cost, which, upon initial recognition, are considered equivalent to fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Other financial liabilities: are comprised of accounts payable and accrued liabilities, customer deposits and credit balances, and long-term debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs are netted against the amount initially recognized.

The corporation has classified fair value measurements using a hierarchy that reflects the following three levels of inputs used in making the fair value measurements. Level 1: unadjusted quoted prices in active markets for identical assets or liabilities. Level 2: observable inputs other than quoted prices included in Level 1, such as derived prices for similar assets and liabilities; or quoted prices in inactive markets. Level 3: unobservable inputs for the assets or liabilities that are not based on observable market data.

6. CGAAP Accounting Changes

On July 8, 2010, the OEB released a depreciation study for use by electricity distributors in preparation for transition to IFRS. The results of this study were released in a report by a 3rd party consultant, Kinectrics, and provided information and guidance that the OEB expected LDCs to consider as asset service lives were determined under IFRS. Even though Collus PowerStream has deferred adoption of IFRS until January 1, 2015 as permitted by the Canadian Accounting Standards Board, the release of this study provided Collus PowerStream with new information with regard to the estimates used for amortization purposes. In accordance with the OEB's letter of July 17, 2012, "Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013", Collus PowerStream has adopted the required changes to amortization and capitalization under CGAAP as of January 1, 2013 on a prospective basis.

The OEB has approved variance Account 1576, Accounting Changes Under CGAAP, for distributors to record the financial differences arising as a result of the election to make accounting changes to amortization; the difference is a reflection of the revised expense in comparison to the amortization that would have been recorded under previous service life terms and thus included in rates charged to customers. The cumulative variance in this account would then be refunded to ratepayers in the year of an LDC's next cost of service application through an adjustment to amortization expense over an approved period pending review and approval by the OEB. Since Collus PowerStream's cost of service application year and adoption of the required changes to amortization and capitalization both occurred in 2013, the corporation will not have any variance to track in Account 1576.

Upon review of the Kinectrics Report, Collus PowerStream has determined that the useful lives of the distribution assets are longer than previously estimated. Collus PowerStream revised its componentization structure and revised the estimated useful lives of its distribution system assets and other assets as a result of that study. This has led to a decrease in the amortization expense compared to prior periods. Amortization for 2013 is straight-line over the remaining useful life based on the new useful lives determined by reference to the Kinectrics Report.

Furthermore, Collus PowerStream's capitalization policy has been modified according to the OEB's direction. Previously, rent was allocated to the warehouse and garage and a portion of these costs were capitalized to the extent that materials were issued to, and vehicles and equipment were used on capital work orders. Similarly employee safety and training time were previously capitalized to the extent that staff worked on capital work orders. These changes have resulted in a reduction of $72,000 in 2013 for amounts that would have been previously capitalized. The prior year has not been restated because the amount would not be material and it would not necessarily be practical to determine.

Additionally, Collus PowerStream has modified its policy relating to asset disposals where an asset is derecognized at its carrying value when it is disposed of or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of PP&E is determined as the difference between the proceeds from sale and the carrying amount of the asset, and is recognized in the income statement. Previously, only the disposal of specifically identifiable assets were derecognized.

See updated Significant Accounting Policy Note 5 Part (c) Property, Plant and Equipment.

7. Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises would be required to adopt IFRS in place of CGAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

The AcSB has subsequently deferred the mandatory IFRS changeover date for entities with qualifying rate-regulated activities as follows:

September 2010	one year deferral	effective January 1, 2012
March 2012	one year deferral	effective January 1, 2013
September 2012	one year deferral	effective January 1, 2014
February 2013	one year deferral	effective January 1, 2015

The corporation previously elected to use all the IFRS deferral options due to the uncertainty around rate-regulated accounting, and in anticipation of the International Accounting Standards Board ("IASB")'s agenda to develop interim guidance.

IFRS 14 Regulatory Deferral Accounts was issued by the IASB on January 30, 2014. It provides interim guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS while the IASB considers more comprehensive guidance on accounting for the effects of rate regulation. The interim standard is effective for financial reporting periods beginning on or after January 1, 2016, although early adoption is permitted.

The corporation will transition to IFRS on January 1, 2015 applying IFRS 1 for First Time Adoption and early adopting the IFRS 14 interim standard. Under IFRS 14 previous CGAAP accounting policies for recognition, measurement, impairment and derecognition of regulatory balances are grandfathered for eligible entities that are first-time adopters. However, IFRS changes in the presentation and disclosure requirements will still be necessary.

The corporation is moving forward with developing and implementing a transition plan. Staff training requirements, the sufficiency of information systems, existing accounting processes, and the effects of the presentation requirements on key performance indicators and financial ratios are being evaluated.

The adoption of the interim standard means the material impacts to the financial statements will likely only be presentation and disclosure changes.

8. Seasonality

The corporation's operations are seasonal. The corporation's revenues tend to be higher in the first and third quarters of a year as a result of higher energy consumption for winter heating in the first quarter and air conditioning and cooling in the third quarter. The volume of electricity consumed by customers during any period is governed by events largely outside of the corporation's control (principally, sustained periods of hot or cold weather which increase the consumption of electricity, and sustained periods of moderate weather which decrease the consumption of electricity).

9. Cash and Bank

The corporation's bank account is held at one chartered bank and earns interest based upon its average monthly credit balance. Interest is paid monthly at the bank's monthly average prime rate less 1.70%. As at December 31, 2013 the rate was 1.30% (2012- 1.12%).

10. Accounts Receivable

	2013	2012
Accounts receivable	**$ 2,921,244**	$ 2,903,559
Other accrued and miscellaneous receivable	**50,659**	67,421
Construction and trade receivable	**429,477**	605,671
Unbilled construction work-in-progress	**64,901**	100,508
HST receivable	**76,719**	-
Ontario Power Authority receivable	**110,577**	-
	3,653,577	3,677,159
Less: Allowance for bad debts (See Note 30)	**118,530**	114,242
	$ 3,535,047	$ 3,562,917

Accounts receivable include $596,138 (2012 - $656,709) for water and sewer billings.

11. Payments in Lieu of Corporate Taxes

	2013	2012
Payments in lieu of corporate taxes receivable	**$ 80,087**	$ 171,602

The provision for PILs differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. Reconciliation between the statutory and effective tax rates is set out below:

Income before provision for PILs	**$ 721,253**	$ 351,286
Statutory Canadian federal and provincial tax rate	**26.50%**	26.50%
Provision for PILs at statutory rate	**191,132**	93,091
Small business deduction	**(35,000)**	(41,619)
Cumulative eligible capital deduction	**(9,348)**	(10,052)
Recapture of SR&ED expenditures	**-**	28,423
Amortization greater (less) than capital cost allowance	**(39,653)**	119,697
Change in pension post retirement plan	**9,478**	6,299
Other items	**278**	96
Prior year reassessment	**(15,106)**	(202,423)
Total provision	**$ 101,781**	$ (6,488)
Effective tax rate	**14.11%**	(1.85)%

12. Future Taxes Recoverable

The corporation accounts for the differences between the financial statement carrying value and tax basis of its assets and liabilities following the liability method in accordance with CICA Handbook Section 3465.

Components of the corporation's future tax assets are as follows:

	2013	2012
Employee future benefits	**$ 194,737**	$ 185,795
Property, plant and equipment	**588,874**	606,689
Goodwill	**47,992**	56,811
Long-term future income tax asset	**$ 831,603**	$ 849,295

An offsetting entry of $721,810 (2012 - 747,617) to this net future income tax asset is a credit to regulatory liabilities (See Note 16) and the remainder is reflected on the income statement in future tax expense.

13. Long-term Investments

	2013	2012
Cornerstone Hydro Electric Concepts Association Inc. (CHEC), incorporated without share capital. The cost for the investment was $Nil	**$ -**	$ -
Utility Collaborative Services Inc. (UCS), recorded using the cost method, 1 common share, 10% interest	**100**	100
	$ 100	$ 100

Cornerstone Hydro Electric Concepts Association Inc. ("CHEC") is an association of thirteen LDCs modelled after a co-operative to share resources and proficiencies. (See Note 21 & 31)

Utility Collaborative Services Inc. ("UCS") offers standards-based back office services. The collaboration of nine LDCs plus the management services of Util-Assist Inc. allows leverage in the reduction of costs for items such as information technology hosting and software licensing. (See Note 21 & 31)

14. Property, Plant and Equipment

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**$ 456,548**	**$ - $**	**456,548**	$ 456,548	$ -	$ 456,548
Buildings	**494,142**	**90,907**	**403,235**	602,877	85,234	517,643
Distribution stations	**5,329,945**	**2,038,609**	**3,291,336**	5,221,210	1,900,761	3,320,449
Distribution lines	**22,299,674**	**12,091,443**	**10,208,231**	21,717,997	11,790,222	9,927,775
Distribution transformers	**5,757,307**	**3,096,940**	**2,660,367**	5,691,653	2,993,927	2,697,726
Distribution services	**1,226,473**	**258,888**	**967,585**	1,093,865	227,719	866,146
Distribution meters	**510,488**	**120,109**	**390,379**	491,705	86,723	404,982
Smart meters	**2,391,174**	**702,686**	**1,688,488**	2,606,507	644,030	1,962,477
Office equipment	**249,014**	**174,060**	**74,954**	226,023	154,566	71,457
Tools and equipment	**345,716**	**315,026**	**30,690**	340,234	306,292	33,942
Vehicles	**1,941,793**	**1,104,100**	**837,693**	1,874,847	1,006,149	868,698
Communication equip	**79,031**	**67,101**	**11,930**	71,751	63,271	8,480
System supervisory equip	**686,261**	**427,548**	**258,713**	672,850	391,830	281,020
Construction in progress	**55,083**	**-**	**55,083**	26,533	-	26,533
Spare/replacement parts	**138,107**	**-**	**138,107**	-	-	-
Contributed capital	**(10,894,325)**	**(4,496,205)**	**(6,398,120)**	(10,571,214)	(4,307,640)	(6,263,574)
	$ 31,066,431	**$ 15,991,212 $**	**15,075,219**	$ 30,523,386	$ 15,343,084	$ 15,180,302

During the year the corporation purchased PP&E with cash totalling $1,402,876 (2012 - $2,100,521). Proceeds from Infrastructure Ontario of $700,000 (2012 - $NIL) plus contributed capital of $323,111 (2012 - $339,434) were used to finance the capital purchases.

15. Computer Software

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Computer Software	**$ 552,604**	**$ 507,944 $**	**44,660**	$ 515,603	$ 415,163	$ 100,440

16. Regulatory Assets and Liabilities

	2013	2012
Regulatory assets:		
OMERS pension accrual	$ -	$ 60,387
Hydro One incremental costs	-	11,526
IFRS transition costs	**172,781**	152,743
Green Energy Renewable Connection	**1,335**	74,033
Smart Grid	**4,542**	19,764
Late payment penalty settlement	**(2,217)**	(2,217)
Ontario Clean Energy Benefit	**(830)**	-
Other regulatory assets - stranded assets	**184,730**	-
Payments in lieu of taxes variance	**12,507**	11,882
Low voltage variance	**447,147**	311,655
Stranded meters	**453,034**	504,566
Smart metering entity charge	**7,822**	-
RARA Dec 2011, 18 mos recovery, beginning Nov 1, 2013	**201,054**	-
Retail settlement variance accounts	**683,735**	-
	$ 2,165,640	$ 1,144,339
Regulatory liabilities:		
Retail settlement variance accounts	$ -	$ 152,224
RARA tier 2 adj, two yr recovery, beginning May 1, 2009	-	107,952
RARA Dec 2008, four yr recovery, beginning May 1, 2010	**236,920**	951,708
RARA Dec 2010, two yr recovery, beginning May 1, 2012	**225,155**	724,786
Other deferred credits	-	79,790
Future taxes (See Note 12)	**721,810**	747,617
	$ 1,183,885	$ 2,764,077
Net Regulatory asset (liability)	**$ 981,755**	$ (1,619,738)

16. Regulatory Assets and Liabilities Continued

The following impacts would be recognized in the financial statements in the absence of regulatory treatment:

	2013	2012
Statement of Operations:		
Decrease (increase) in the sale of energy	**$ 2,536,324**	$ 696,643
Decrease (increase) in distribution revenue	**(48,378)**	942,204
(Decrease) increase in amortization	**(35,240)**	(448,130)
(Decrease) increase in operating expenses	**(48,853)**	(71,456)
(Gain) loss on disposal	**184,500**	-
(Decrease) increase in interest expense	**(12,667)**	(82,351)
(Decrease) increase in future taxes	**25,807**	(747,617)
Balance Sheet:		
Increase in property, plant and equipment	**-**	11,112
Increase in retained earnings	**(1,619,738)**	(1,920,143)
	$ 981,755	$ (1,619,738)

OMERS Pension Accrual

The OEB recognized that distributors were affected by the cessation of the OMERS pension contribution holiday and allowed distributors to record cash pension costs and associated carrying charges relating to amounts not recovered in rates.

Hydro One Incremental Costs

This deferral account is used to record the incremental capital charges arising from the capital rate relief rider and the associated carrying charges.

IFRS Transition Costs

The corporation uses this deferral account to record one-time administrative incremental IFRS transition costs, which are not already approved and included for recovery in distribution rates and the associated carrying charges.

Green Energy Renewable Connection

Under the Green Energy and Green Economy Act, electricity distributors are required to facilitate the connection of renewable energy sources to their systems and to undertake activities that will lead to a smart grid. The OEB has authorized deferral accounts to record the associated costs and related carrying charges.

Smart Grid

Investments related to smart grid demonstration projects and investments undertaken as part of a project to accommodate renewable generation are recorded in the capital deferral account. Operating expenses directly related to smart grid development activities are recorded in the operating deferral account. Both these deferral accounts attract applicable carrying charges.

16. Regulatory Assets and Liabilities Continued

Late Payment Penalty ("LPP") Settlement

On July 22, 2010, the Ontario Superior Court of Justice approved a settlement of the LPP Class Action. As its share of this settlement, the corporation was required to pay $46,486 on June 30, 2011 to charity to assist low income electricity users. The corporation received approval from the OEB to recover this amount from ratepayers over a one-year period, starting May 1, 2011.

Other Regulatory Assets - Stranded Assets

The purpose of this deferral account is to record the cost of Sensus ICON model F and model G smart meters net of their accumulated amortization that must be removed from service prematurely before the end of their expected service life and replaced with new meters. These meters are exhibiting communication issues that are causing severe operational issues and are unable to meet new requirements such as data encryption. No amortization expense is recorded on these meters after they have been removed from service. Carrying charges are recorded monthly on the opening principal balance. A total of 4,631 units are forecasted to be replaced by December 31, 2015 at an estimated NBV of $512,469.

Payments in Lieu of Taxes ("PILs") Variances

The PILs variance relates to the differences that have resulted from a legislative or regulatory change to the tax rates or rules assumed in the rate adjustment model. The OEB approved the disposition of a credit balance of $250,601 representing principal and interest to April 30, 2012, over a two year period from May 1, 2012 to April 30, 2014.

Low Voltage Variance

This account is used to record the variances arising from low voltage transactions which are not part of the electricity wholesale market.

Stranded Meters

This account includes the NBV of stranded mechanical meters, which have been replaced by smart meters, plus carrying charges and less rate rider recoveries beginning October 1, 2013. Stranded meters were transferred from PP&E to regulatory assets in 2012. Amortization expense of $35,240 (2012 - $54,698) continued to be accumulated on these meters until August 31, 2013. In the absence of this regulatory treatment replaced meters would have been recorded as a loss on disposal of PP&E in 2009.

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Stranded meters	**$ 1,529,891**	**$ 1,060,565**	**$ 469,326**	$ 1,529,891	$ 1,025,325	$ 504,566
Recoveries			**(18,026)**			
Carrying Charge			**1,734**			
			$ 453,034			$ 504,566

16. Regulatory Assets and Liabilities Continued

Smart Metering Entity Charge ("SME")

In its role as the Smart Metering Entity ("SME"), the Independent Electricity System Operator ("IESO") is managing the development of the meter data management/repository ("MDM/R") to collect, manage, store and retrieve information related to the metering of customers' use of electricity in Ontario. Effective May 1, 2013, the charge owing to the SME from all distributors is $0.788 per month for each residential and general service <50kW customer and the SME charge levied and collected by the LDC from the customers is $0.79 per month. The SME charge is in effect until October 31, 2018. This variance account tracks timing differences between amounts collected and paid.

Retail Settlement Variance Accounts ("RSVA")

RSVAs are comprised of the variances between amounts charged by the corporation to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the corporation. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the corporation has deferred the variances between the costs incurred and the related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. The balance for settlement variances continues to be calculated and attracts carrying charges in accordance with the OEB's direction.

Regulatory Asset Recovery Accounts ("RARA")

The RARA is comprised of the cumulative balances of regulatory assets and regulatory liabilities approved for disposition by the OEB, reduced by amounts settled with customers through billing of approved disposition rate riders. The RARA is subject to carrying charges following the OEB prescribed methodology and rates.

Other Deferred Credits

A review motion was ruled on by the OEB in August 2009 and established that the corporation use this deferral account for the interest rate differential on a Vulnerable Energy Consumers Coalition intervener appeal to track the difference of the 0226 ruling and the 0130 ruling. The corporation tracked $85,200 in overpaid interest recovery within the 2009 distribution service rates which was offset by legal charges of $5,410 that were solely applicable to the review motion.

Future Taxes Regulatory Liability

This regulatory liability account relates to the expected future electricity distribution rate adjustments for customers arising from timing differences in the recognition of future taxes.

17. Deferred Charges

	2013	2012
Misc deferred debits - regulatory expenses	**$ 274,200**	$ 23,400
Misc deferred debits - deferred expansion charges	**81,545**	89,705
	$ 355,745	$ 113,105

Misc Deferred Debits - Regulatory Expenses

This account includes cost of service application expenses, which will have recoveries in future periods and are carried forward and charged to expense over the four year term of the application ending April 30, 2017. Under non-regulated reporting, the disbursement of $322,956 (2012 - $23,400) would have been recorded as an operating expense.

	2013			2012		
	Cost	**Expensed**	**Net Book Value**	Cost	Expensed	Net Book Value
Cost of service charges	**$ 346,356**	**$ 72,156**	**$ 274,200**	$ 23,400	$ -	$ 23,400

Deferred regulatory costs will be expensed to the general and administration category over the next four years as follows:

2014	$ 82,260
2015	82,260
2016	82,260
2017	27,420
	$ 274,200

Misc Deferred Debits - Deferred Expansion Charges

This account includes expenses incurred in the expansion of the service area, which will benefit future periods and are carried forward and charged to expense over a twenty-five year period. Under non-regulated reporting, amortization would have decreased by $8,155 (2012 - $8,155) and retained earnings would have decreased by the NBV of the deferred charges.

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Expansion charges	**$ 204,914**	**$ 123,369**	**$ 81,545**	$ 204,914	$ 115,209	$ 89,705

18. Accounts Payable and Accrued Liabilities

	2013	2012
Independent Electricity System Operator	**$ 3,323,281**	$ 2,446,322
Hydro One	**707,900**	527,030
Trade payables	**622,492**	627,891
Town of Collingwood - Sewer	**941,841**	934,867
Town of Collingwood - Interest Payable	**95,427**	123,987
Collingwood Public Utilities Service Board - Water	**606,819**	1,699,474
Economic evaluations	**154,952**	365,610
Debt retirement charge payable	**136,284**	134,796
Other accounts payable and accrued liabilities	**80,691**	245,182
HST payable	-	55,821
	$ 6,669,687	$ 7,160,980

19. Long-term Debt

	2013	2012
Infrastructure Ontario Debenture - 4.67% fixed rate, $100,000 principal repayable semi-annually plus interest on October 15th and April 15th, secured by a general security agreement covering a second charge on all assets and real property, due April 15, 2025	**$ 2,300,000**	$ 2,500,000
Infrastructure Ontario Debenture - 3.84% fixed rate, $32,700 principal and interest repayable monthly, secured by a general security agreement covering a second charge on all assets and real property, due September 17, 2037	**6,107,632**	6,262,260
Infrastructure Ontario Debenture - 4.58% fixed rate, $3,563 principal and interest repayable monthly, secured by a general security agreement covering a second charge on all assets and real property, due December 16, 2043	**700,000**	-
Town of Collingwood - 5.58% (2012 - 7.25%) fixed rate, no set terms of repayment, waived the right to demand repayment during 2014, rate decreased to 4.88% January 1, 2014	**1,710,170**	1,710,170
	10,817,802	10,472,430
Current portion of long-term debt	**371,884**	354,628
	$ 10,445,918	$ 10,117,802

The agreement governing these credit facilities contains certain covenants as described in Note 33.

Total advances of $10,000,000 have been approved by Infrastructure Ontario. At December 31, 2013, the corporation had undrawn credit capacity under this facility of $1,000,000 (2012 - $1,700,000).

Principal repayments for each of the five subsequent years and thereafter are as follows:

2014	$ 371,884
2015	378,683
2016	385,752
2017	393,101
2018	400,742
Thereafter	8,887,640
	$ 10,817,802

20. Employee Future Benefits

The corporation provides certain health, dental and life insurance under unfunded benefit plans on behalf of its retired employees. The corporation measures its accrued benefit obligation ("ABO") for accounting purposes every three years. The latest actuarial valuation was performed as at December 31, 2012.

	2013	2012
Accrued benefit obligation	**$ 830,959**	$ 799,642
Unrecognized loss	**(11,147)**	(11,508)
Unrecognized past service costs	**(40,868)**	(44,955)
Accrued benefit liability, end of the year	**$ 778,944**	$ 743,179
Accrued benefit obligation, beginning of the year	**$ 799,642**	$ 825,922
Current service cost	**27,264**	23,115
Interest cost on obligation	**32,507**	32,927
Benefit payments	**(28,454)**	(32,549)
Actuarial loss	**-**	51,267
Past service cost	**-**	49,041
Actuarial gain	**-**	(150,081)
Accrued benefit obligation, end of the year	**$ 830,959**	$ 799,642
Current service cost	**$ 27,264**	$ 23,115
Interest cost on obligation	**32,507**	32,927
Amortization of past service costs	**4,087**	4,087
Amortization of net actuarial losses	**362**	(3,812)
Plan expense	**$ 64,220**	$ 56,317

Significant actuarial assumptions are as follows:

	2013	2012
Discount rate	**4.00 %**	4.00 %
Consumer price index	**2.50 %**	2.50 %
Rate of compensation increase	**3.50 %**	3.50 %
Health benefits costs escalation	**4.80 %** to **7.47 %**	4.80 % to 8.00 %
Dental benefits costs escalation	**4.80 %**	4.80 %

Assumed health care cost trend rates have an effect on the amounts reported for the health care plans. A 1% change would have the following effects for 2013:

	Increase	Decrease
Service and interest cost	$ 6,000	$ (5,000)
Accrued benefit obligation	$ 36,000	$ 32,000

21. Commitments

Cornerstone Hydro Electric Concepts ("CHEC")

The corporation may terminate its membership at any time upon the following terms:

(a) giving written notice 60 days in advance of termination;

(b) and by making a pre-payment in full of the balance of its contract service costs to CHEC. The amount of the pre-payment cost shall be the total cost which the corporation would have paid over the three year term of the agreement less amounts already paid by it to the date of the termination. The current three year term for the CHEC commitment goes to December 31, 2014. The pre-payment cost of termination is a settlement of the corporation's obligation under the agreement by reason of termination of its membership before the expiry of the term. The amount is liquidated damages and not a penalty for early termination and is intended to leave the remaining members in the same position as if the corporation had not terminated the agreement. As at December 31, 2013 the obligation to CHEC includes 2014 membership dues of $45,000.

Utility Collaborative Services Inc. ("UCS")

The corporation has the right to redeem its shares in UCS by retraction upon the following terms:

(a) notice of such retraction shall be given 128 days prior to the effective date;

(b) and a retraction fee shall be paid equal to the previous three years worth of the average purchases from UCS for services or products; or in alternative to paying such fees, the corporation may elect in writing to provide three year's written notice of the retraction, provided that the corporation continues to receive services at the same or greater average volume as those received at the time the notice was given. As at December 31, 2013 the obligation to UCS includes 2014-2016 fees of approximately $160,000 per year, $480,000 total.

22. Share Capital

The authorized share capital of the corporation is an unlimited number of common shares. The issued share capital is as follows:

		2013	2012
5,101,640	Common shares	**$ 5,101,640**	$ 5,101,640

23. Dividends

Dividends in the amount of $NIL (2012 - $4,598,389) were declared and paid to Collingwood PowerStream Utility Services Corp. (See Note 31)

The amount of dividends declared in any given year is at the discretion of the Board of Directors of the corporation. The dividend policy states that the corporation shall normally pay a minimum of 50% of the prior year annual net income, as dividends, with consideration given to the cash position, working capital, net capital expenditures, and other cash requirements.

24. Statement of Cash Flows

	2013	2012
Interest paid	**$ 447,604**	$ 322,552
Interest received	**$ 45,220**	$ 40,121
PILs paid	**$ 241,960**	$ 231,439
PILs received	**$ 232,694**	$ -

25. Liability Insurance

The corporation belongs to the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2013, the corporation has not been made aware of any assessments for losses. Insurance premiums charged to each member consist of a levy per thousand of dollars of service revenue subject to a credit or surcharge based on each member's claims experience. The maximum coverage in a joint policy with Collingwood Public Utilities Service Board is $24,000,000 for liability insurance, $58,681,160 for property insurance, and $15,000,000 for vehicle insurance.

26. Credit Facilities

The credit facility agreement contains certain covenants as described in Note 33.

Line of Credit

The corporation has a line of credit, secured by a general security agreement, with an authorized limit of $750,000 available under a credit facility agreement with a Canadian chartered bank. Interest on advances is calculated using the bank's prime rate less 0.75% per annum, calculated and payable monthly. As at December 31, 2013 the balance was $NIL (2012 - $NIL) on this credit facility.

Letter of Credit ("LOC")

As at December 31, 2013, the corporation had utilized $2,326,160 (2012 - $2,326,160) of the $2,417,179 uncommitted Letter of Guarantee facility for a letter of credit that was provided to the IESO to mitigate the risk of default on energy payments. The IESO could draw on the LOC if the corporation defaults on its payment. The standby LOC fee is charged annually at a rate of 0.50% (2012 - 0.50%). For the year ended December 31, 2013 the fee incurred was $11,631 (2012- $11,393).

Credit Card

The corporation has a VISA account, secured by a general security agreement, with an authorized limit of $25,000 available under a credit facility agreement with a Canadian chartered bank. Interest on purchases is calculated at 18.50%, calculated and payable monthly.

27. Pension Agreements

The corporation makes contributions to the Ontario Municipal Employee Retirement System ("OMERS"), which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund.

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2012. The results of this valuation disclosed total actuarial liabilities of $69.3 (2011 - $64.5) million in respect of benefits accrued for service with actuarial assets at that date of $59.4 (2011 - $57.2) million, indicating an actuarial deficit of $9.9 (2011 - $7.3) million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the corporation does not recognize any share of the OMERS pension surplus or deficit.

The contribution rates for normal retirement age 65 members were 9.0% (2012 - 8.3%) for employees earning up to $51,100 (2012 - $50,100) and 14.6% (2012 - 12.8%) thereafter. The combined employee and employer amount contributed to OMERS for 2013 was $517,345 (2012 - $509,642).

28. Smart Meter Revenue and Expense

The 2012 disposal of smart meter regulatory deferral accounts plus on-going revenues and expenses since disposition had a material impact on the income statement. The impact has been summarized as follows:

	2013	2012
Revenues		
Smart meter distribution (rate rider ended Oct 1, 2013)	**$ 547,982**	$ 1,402,131
Operating expenses		
Amortization	**150,956**	644,030
Billing and collecting	**192,905**	324,044
Interest - other	**-**	51,299
	343,861	1,019,373
	$ 204,121	$ 382,758

29. Amortization

	2013	2012
Property, plant and equipment (excluding meters below)	**$ 606,051**	$ 941,621
Stranded meters	**35,240**	54,698
Smart meters	**150,956**	644,030
Software	**92,781**	91,349
Deferred charges	**8,160**	8,155
	893,188	1,739,853
Vehicles, allocated to other accounts	**195,950**	179,188
	$ 1,089,138	$ 1,919,041

Stranded meters were transferred from PP&E to regulatory assets during 2012 and amortization expense continued to accumulate until August 31, 2013.

Smart meters were transferred from regulatory assets to PP&E during 2012. The amortization on smart meters was tracked in a regulatory account from 2008 to 2012 and the entire accumulated balance was charged to amortization expense. The accumulated amortization on smart meters recorded in 2012 relates to the following years:

2008	$ 17,864
2009	88,275
2010	157,226
2011	184,765
2012	195,900
	$ 644,030

30. Bad Debt Expense (Included in Billing and Collecting)

	2013	2012
Bad Debt Expense - Electric Receivables:		
Write-offs during the year	**$ 46,583**	$ 69,623
Recoveries during the year	**(14,063)**	(26,875)
Opening allowance	**(90,619)**	(51,044)
Closing allowance	**97,409**	90,619
	$ 39,310	$ 82,323
Allowance For Bad Debts: (See Note 10)		
Collus PowerStream Corp.	**$ 97,409**	$ 90,619
Collingwood Public Utilities Service Board - Water	**7,609**	7,655
Town of Collingwood - Waste Water	**13,512**	15,968
	$ 118,530	$ 114,242

31. Related Party Transactions

The corporation is 50% owned by The Town of Collingwood and 50% by PowerStream Inc. The following summarizes the corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product or provision of service.

	2013		
	50% Share-holder	50% Share-holder	Water service board of Collingwood
	Town of Collingwood	PowerStream Inc.	Collingwood Public Utilities Service Board
Revenue:			
Energy and distribution	$ 1,205,784	$ -	$ 785,149
Streetlight maintenance	40,463	-	-
Administration revenue	136,991	-	921,676
Disbursements:			
Property taxes	17,638	-	-
Property maintenance	3,510	-	-
Vehicle fuel	18,623	-	-
Interest	95,427	-	-
Services	-	41,691	-
Shared employee charge	-	-	72,290
Computer lease	-	-	21,792
Building lease	-	-	216,000
Dividends paid	-	-	-

	2012		
Revenue:			
Energy and distribution	$ 1,048,016	$ -	$ 603,238
Streetlight maintenance	67,104	-	-
Administration revenue	145,367	-	1,057,925
Disbursements:			
Property taxes	14,230	-	-
Property maintenance	3,375	-	-
Vehicle fuel	57,963	-	-
Interest	123,987	-	-
Shared employee charge	-	-	64,629
Computer lease	-	-	80,000
Building lease	-	-	216,000
Dividends paid	4,598,389	-	-

31. Related Party Transactions Continued

At the end of the year, the amounts due from and due (to) related parties are as follows:

	2013		
	50% Share-holder	50% Share-holder	Water service board of Collingwood
	Town of Collingwood	PowerStream Inc.	Collingwood Public Utilities Service Board
Utility receivable	117,101	-	164,712
Trade receivable	43,566	-	131,336
Trade payable	(2,648)	(42,866)	(606,819)
Interest payable	(95,427)	-	-
Sewer payable	(941,841)	-	-
Long-term debt	(1,710,170)	-	-
	(2,589,419)	(42,866)	(310,771)

	2012		
Energy receivable	94,920	-	43,396
Trade receivable	152,771	43,238	51,211
Trade payable	(16,129)	-	(1,699,474)
Interest payable	(123,987)	-	-
Sewer payable	(934,867)	-	-
Long-term debt	(1,710,170)	-	-
	(2,537,462)	43,238	(1,604,867)

Compensation and expenses for the board of directors were incurred during the year in the amount of $76,800 (2012 - $111,395).

The corporation paid $57,587 (2012 - $54,407) in fees to Cornerstone Hydro Electric Concepts Association Inc. (CHEC) (See Note 13).

The corporation paid $163,993 (2012 - $159,583) in fees to Utility Collaborative Services Inc. (UCS) for items such as information technology hosting and software licensing (See Note 13).

32. Financial Instruments

The corporation's carrying value and fair value of financial instruments consist of the following:

	2013		2012	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Assets				
Cash and bank	**$ 2,011,873**	**$ 2,011,873**	$ 4,390,146	$ 4,390,146
Accounts receivable	**3,535,047**	**3,535,047**	3,562,917	3,562,917
Unbilled energy revenue	**3,513,375**	**3,513,375**	3,135,280	3,135,280
Long-term investments	**100**	**undeterminable**	100	undeterminable
Liabilities				
Accounts payable	**$ 6,669,687**	**$ 6,669,687**	$ 7,160,980	$ 7,160,980
Customer deposits	**859,201**	**859,201**	904,378	904,378
Long-term debt	**10,817,802**	**10,817,802**	10,472,430	10,472,430

The estimated fair values of financial instruments as at December 31, 2013 and December 31, 2012 are based on relevant market prices and information available at the time. The fair value estimates are not necessarily indicative of the amounts that the corporation may receive or incur in actual market transactions. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Determination of fair values

(a) The fair values of cash and bank, accounts receivable, unbilled revenue, current customer deposits and credit balances, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

(b) Long-term investments include common shares of private companies accounted for by the cost method. These investments are not publicly traded and, therefore, fair values are not practicable to determine.

(c) The fair value of each of the corporation's long-term debt instruments is based on the amount of future cash flows associated with each instrument discounted using an estimate of what the corporation's current borrowing rate for similar debt instruments of comparable maturity would be.

It is management's intention not to renew the long-term debt until its maturity.

33. Capital Disclosures

The corporation considers its capital to be its share capital, miscellaneous paid in capital, and retained earnings (deficit). The corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans, ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions, iii) maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants, and iv) provide an adequate return to its shareholders.

The corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

As part of existing debt agreements, financial covenants are monitored and communicated, as required by the terms of credit agreements, on an annual basis by management to ensure compliance with the agreements.

The covenants require the corporation to provide notification prior to any new debt issuance. The most restrictive covenants from each credit agreement require maintaining a Debt Service Coverage Ratio of 1.15 to 1 or higher, a maximum debt to capital ratio of 0.60 to 1, and a minimum current ratio of 1.10 to 1. All covenants are to be tested and calculated as of the end of each fiscal year. The corporation is in compliance with these covenants as at December 31, 2013.

Management monitors the following key ratios to effectively manage capital:

		2013	2012
a) Debt Service Coverage Ratio:	(must be at least 1.15)	**2.02:1**	1.38:1
b) Debt to Capital:	(must not exceed 0.60)	**0.59:1**	0.61:1
c) Current ratio:	(must be at least 1.10)	**1.20:1**	1.44:1

The 2012 recapitalization and closing dividend of $4,598,389 was excluded from the debt service coverage ratio calculation because it was extraordinary in nature and related to the sale of shares and corporate restructuring of debt and equity. The loan received from Infrastructure Ontario in 2012 was for the purpose of this dividend.

Infrastructure Ontario agrees to revise the required financial ratios should the difference between the current accounting rules and the adoption of International Financial Reporting Standards on January 1, 2015 have a material impact on the financial ratios. The revision shall be based on the original intent of the required ratios in the agreement but allow for reconciliation of the current accounting rules and International Financial Reporting Standards.

34. Financial Risk Management

As part of its operations, the corporation carries out transactions that expose it to financial risks such as credit, liquidity and market risks.

The following is a discussion of risks and related mitigation strategies that have been identified by the company for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks identified.

Credit risk

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms of the financial instrument. The maximum credit exposure is limited to the carrying amount of cash, receivables, and unbilled revenue presented on the balance sheet.

Financial instruments that potentially subject the corporation to a significant concentration of credit risk consist primarily of cash. The corporation limits its exposure to credit loss by placing its cash with a high credit quality financial institution. The corporation maintains cash with only one major financial institution. Eligible deposits per financial institution are insured to a maximum basic insurance level of $100,000, including principal and interest by the Canada Deposit Insurance Corporation.

The corporation is exposed to credit risk related to accounts receivable and unbilled revenue arising from its day-to-day electricity and service revenue. Exposure to credit risk is limited due to the corporation's large and diverse customer base. The corporation limits its credit risk by collecting deposits, purchasing commercial account credit insurance, following collection policies, monitoring accounts receivable aging, and utilizing collection agencies. The Ontario Energy Board has prescribed certain rules for the payment of deposits by customers. Although these rules limit the risk of the corporation, no deposits are required by customers who have shown good payment history for the previous 24 month period. The corporation does not have any material accounts receivable balances greater than 90 days outstanding. As a result, the corporation believes that its accounts receivable represent a low credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in the income statement. The provision is based on account age and customer standing. Subsequent recoveries of receivables previously provisioned are credited to the income statement.

The value of accounts receivable, by age, and the related bad debt provision are presented in the following table. Unbilled revenue outstanding is considered current.

	2013	2012
Under 30 days	**$ 3,495,764**	$ 3,305,164
30 to 60 days	**45,031**	194,000
61 to 90 days	**25,197**	29,227
Over 90 days	**87,585**	148,768
	3,653,577	3,677,159
Provision	**118,530**	114,242
Total accounts receivable	**$ 3,535,047**	$ 3,562,917

34. Financial Risk Management Continued

Liquidity risk

Liquidity risk is the risk that the corporation will encounter difficulty in meeting obligations associated with financial liabilities. The corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the corporation's reputation. The corporation's exposure is reduced by cash generated from operations and undrawn credit facilities. The corporation engages in borrowing to meet financing needs that exceed cash from operations. Exposure to such risks is significantly reduced through close monitoring of cash flows and budgeting. Liquidity risks associated with financial commitments are as follows:

	0 - 3 mo	3 mo - 1 yr	1 - 5 yr	Thereafter
Accounts payable	$ 6,514,735	$ 154,952	$ -	$ -
Customer deposits	-	638,327	220,874	-
Long-term debt	42,348	329,536	1,558,279	8,887,639
Employee future benefits	-	28,454	113,816	636,674
Regulatory liabilities	346,556	115,519	-	721,810
Deferred program funding	75,509	226,528	81	1,541
Total	$ 6,979,148	$ 1,493,316	$ 1,893,050	$10,247,664

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the corporation's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits.

The corporation does not have any direct exposure to foreign currency exchange rate risk or commodity price risk. The corporation had no forward exchange rate contracts or commodity price contracts in place as at or during the year ended December 31, 2013.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The corporation is exposed to interest rate fluctuations on its cash and bank and undrawn bank credit facilities. The corporation is protected from interest rate fluctuations on long-term debt for the Town of Collingwood and Infrastructure Ontario which bear a fixed rate of interest. As at December 31, 2013, if interest rates had been 1% lower or higher with all other variables held constant, net income for the year would not have been impacted materially.

Appendix A
Third Party Review of the Collus PowerStream Strategic Partnership

THIRD PARTY REVIEW OF THE COLLUS POWERSTREAM STRATEGIC PARTNERSHIP

DELIVERING VALUE TO THE CUSTOMER

Prepared by Consol Asset Group Inc.

Consol ASSET

COLLINGWOOD

Collus PowerStream

Power Stream

Disclaimer

This report has been prepared by Consol Asset Group Inc. and its affiliates ("Consol Asset") for the sole purpose of Collus PowerStream Corp. ("CPC"). No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by CPC personnel consulted as part of the process and any other participant interviewed for this report. Consol Asset has indicated within this report the sources of the information provided. We have not sought to independently verify these sources unless otherwise noted within the report. Consol Asset is under no obligation in any circumstance to update this report in either oral or written form, for events occurring after the report has been issued in final form. This report only takes into account Information available to Consol Asset up to the date of this report and so its findings may be affected by new information. The findings in this report have been formed on the above basis.

Third Party Reliance

This report has been prepared in accordance with the terms agreed to with CPC and is not to be used for any other purpose. Other than our responsibility to CPC, neither Consol Asset nor any member or employee of Consol Asset undertakes responsibility arising in any way from reliance placed by a third party on this report Any reliance placed is that party's sole responsibility. We understand that this report may be released into the public domain. Third parties who access this report are not a party to the engagement with CPC and, accordingly, may not place reliance on this report. Any third party accessing this report acknowledges that it may not place reliance on the results and findings contained in the report. Consol Asset shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of any reliance by a third party on this report.

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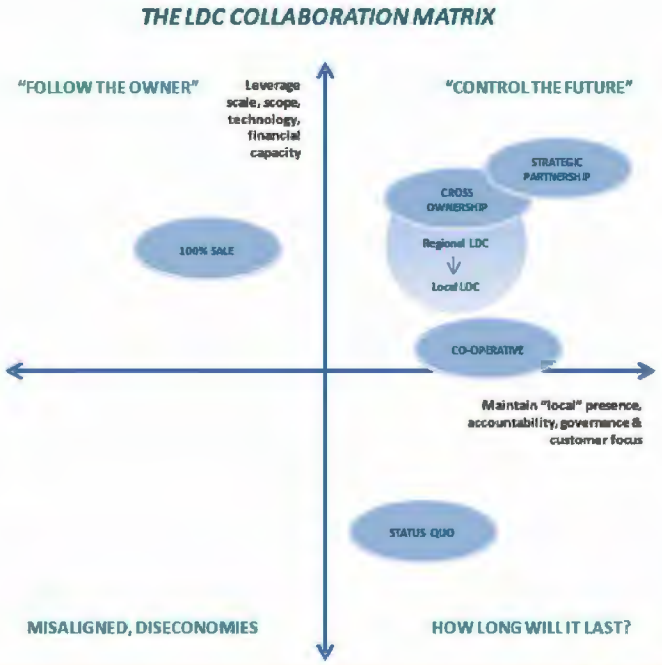
Executive Summary

BACKGROUND

- The purpose of this report is to have Consol Asset review, in practical terms, the benefits and successes that Collus PowerStream has been able to experience since its strategic partnership with PowerStream in July 2012.
- The LDC business model is expeditiously shifting from a simple utility focused on selling a commodity typically from an expanding asset base of centralized generation and traditional delivery infrastructure to a more complex, integrated energy services provider serving the increasing demands of the engaged customer with an information-enabled infrastructure in a distributed generation environment.
- The LDC customer today has moved from being a passive "bill payer" to a customer that is now engaged in its energy micro grid. Customers' expectations will continue to increase from information on demand, cost justifications, higher degrees of control and personalized interaction channels.
- On July 31, 2012 PowerStream purchased a 50% interest in Collingwood Utility Services Corp. from the Town of Collingwood. In addition to the Town of Collingwood receiving proceeds from the sale, the utility—later rebranded as Collus PowerStream—would also be able to secure services from PowerStream through mutually agreed upon shared service agreements. Enhancing service offerings to customers by combining the local operational approach of a local utility with the resources available through a regional utility was the thinking behind the strategic partnership.
- Collus PowerStream pioneered the strategic partnership as a viable alternative to the traditional merger and acquisition consolidation model and delivers a solution to the Ontario Government's request to seek efficiencies from the distribution sector.
- Various comments and misconceptions have been highlighted by industry stakeholders such as "major decisions are made in Vaughan", "Collus PowerStream is no longer a *small* LDC serving the needs of the local customer, community and its employees" and "Collus has now lost its roots". Collus PowerStream agrees that it should have executed a more comprehensive communication strategy to provide a clear message that Collus continues to be active in the community and has never lost the rich heritage that the utility has built since the early 1860s. And that Collus still remains a small LDC providing direct service to its population of 16,000 customers from its legacy offices on 43 Stewart Drive in Collingwood with the same employee base that it had prior to the strategic partnership transaction.



BENEFITS AND SUCCESSES OF THE STRATEGIC PARTNERSHIP

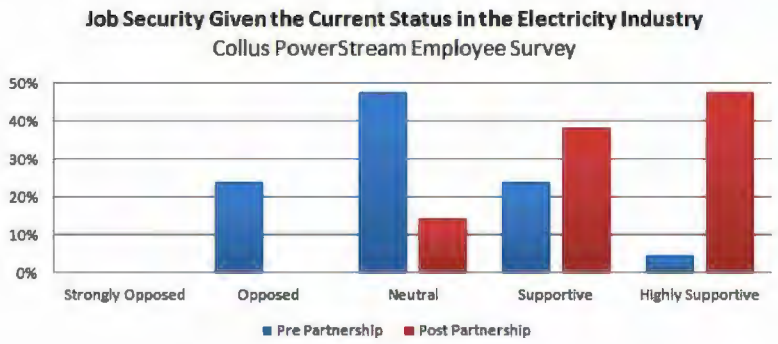
1. ***Complimentary Vision, Mission and Values.*** Collus and PowerStream each have a strategic vision, mission and values that compliments each other to describe their future as a regulated electric utility. This will enable the company to effectively implement its business plan to deliver clean, affordable and reliable energy to its customers now and in the future.

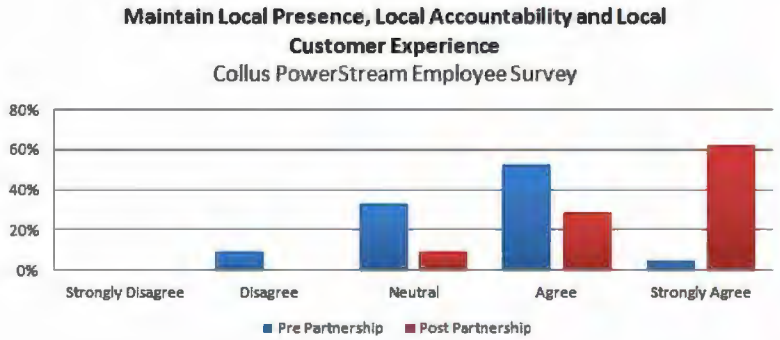
Executive Summary

2. ***Platform to Leverage Scale***. Ability to leverage the size of PowerStream's operations and diversity compared to those of Collus PowerStream on a standalone basis. To provide (i) enhanced operational stability, (ii) greater ability to execute Conservation and Demand Management programs, (iii) greater ability to validate business strategy execution risk with a leading, large LDC, (iv) increase asset utilization and share reinvestment programs, (v) a stronger voice in shaping Provincial energy and economic development policies, and (vi) allow for additional options for future potential strategic transactions.

3. ***Complementary Geographic Coverage and Potential Future Diversity***. Ability to take advantage of balanced coverage throughout Central Ontario, where Collus PowerStream and PowerStream have complementary geographic coverage. In addition, Collus PowerStream sees value and potential in augmenting its geographic diversity with strategically partnering with other adjacent LDCs to create increases in scale and scope.

4. ***Employee Engagement and Combined Expertise***. Will combine complementary areas of expertise drawing on the intellectual capital, technical expertise and experience of a deeper and more diverse workforce. In order to capture the perspective of the Collus PowerStream employees as it pertains to the benefits and successes of the strategic partnership, an internal employee survey was conducted to measure the responses to ten key questions from a "pre-partnership" and "post-partnership" point of view. The survey was distributed to all 28 dedicated employees across all departments using a third-party survey software which ensured that the responses were posted anonymously so that the employees would be able to posts results freely and candidly.





The employees survey results clearly demonstrated that the people of Collus considered that the strategic partnership truly shifted their actions, behaviours and sentiments from a relatively satisfactory position pre-partnership to definitive agreement that the partnership increased value to the customer, provided more effective and efficient resources to do their day-to-day tasks, increased job security, provided leading-edge technologies and has increased the employees' overall confidence in the future.

Executive Summary

5. ***Value to Our Customers***. As with all business combinations, there was a definite concern regarding how the strategic partnership would impact the customer – potential results could be negative, positive or have no real visibility to the customer. Considering that the strategic partnership has continued to allow Collus PowerStream to have local presence, local accountability and local customer servicing the impact of the strategic partnership has been seamless in the face of the customer throughout 2012 and 2013.

6. ***Leverage Key Advancements in Future Technologies.*** PowerStream's constant pursuit of developing and implementing innovative technologies to positively impact costs, services and value to the customer will be a key leverage point for Collus PowerStream, who would not be able to progress as quickly—and as effectively—on the steepening technology curve if it was operating as a stand-alone utility.

7. ***Cash Proceeds from Sale of Shares and Dividend Recapitalization.*** As part of the transaction with PowerStream, the Town of Collingwood received cash proceeds as consideration for 50% of the common shares of the company and a further cash injection of millions as a unique dividend recapitalization that only PowerStream included as part of their response to the RFP.

8. ***Increased Financial and Operational Stability.*** By having PowerStream as a 50% owner, the company has aligned with a LDC that employs over 550 people to assist Collus PowerStream, and has stable and consistent cash flows earning net income of $28 million in 2012 and a strong balance sheet with over $345 million in shareholders' equity.

   Continuing its track record of realizing benefits from the strategic partnership with PowerStream, Collus PowerStream earned its highest annual net income in 2013. As a consequence, Collus PowerStream will be able to issue a material cash dividend payment to the Town of Collingwood and PowerStream which it has previously not been able to do in recent history, not including the strategic partnership dividend recapitalization

9. ***Leveraging the Collus PowerStream Strategic Partnership in Ontario's LDC Market.*** The strategic partnership between Collus PowerStream and PowerStream is an example of an innovative, pioneering, collaborative structure that can be a viable alternative for other local LDCs to understand and discuss as they determine the most appropriate path for their LDC in the future.

"Credit must be given to the former Collus Power Board and specifically our Chairman, the late Dean Muncaster, for pushing the Board and Senior Management to look out beyond routine thinking and to find a business model that enhances value to our customer and to our Shareholder while protecting the interests of all our employees. The measurable successes we have had after our first eighteen months prove that we are on the right track."

Ed Houghton, President & CEO Collus PowerStream

Introduction

The purpose of this report is to have Consol Asset review, in practical terms, the benefits and successes that Collus PowerStream has been able to experience since its strategic partnership with PowerStream in July 2012. In addition to the omnipresent requirement of achieving cost savings associated as a benchmark for any partnership, the success of the Collus PowerStream strategic partnership gravitates to far more compelling benefits that focus on serving the increasing demands of its customers, providing the tools and job security to further engage its employees, leveraging the latest in technology advancements to support the changing industry and ensure the long-term operational and financial stability of Collus PowerStream as it supports the people of Collingwood, Stayner, Thornbury and Creemore.

The industry continues to debate and challenge the current status quo of electricity distribution through the local distribution companies (LDCs) as evidenced by the Ministry of Energy forming the Distribution Sector Review Panel in April 2012 and the Panel's subsequent report Renewing Ontario's Electricity Distribution Sector: Putting the Consumer First. As consumers have now travelled the continuum from being a passive bill payer to now becoming engaged, demanding partners with their energy supplier, the time has come whereby LDCs have to make choices which will impact they way they operate in the future. From finding new, innovative ways to finance asset and infrastructure needs, to understanding how the technology is creating the LDC 2.0 where the lines are blurred between a traditional utility and a progressive, technology-enabled firm that manages the envious "last mile," and "first mile" in the case of distributed generation solutions, with each of its customers.

We define the *LDC Collaboration Matrix* to segment various options that LDCs have to think about as they determine their own pathways into the future. In order to address some misconceptions and lack of understanding regarding the specifics of the strategic partnership transaction between Collus and PowerStream, a *'Myth versus Fact'* sheet has been included to provide answers to some of the frequent comments that have been heard from the various people—internal and external—that have participated in this project. An employee survey also provides highlights based on quantifying Collus employees' sentiments pre-transaction juxtaposed against post-transaction. And the report also discusses the *LDC Capital Spiral,* which outlines competing and dividing forces which pits the need for capital injection against the need to remove costs from the power system.

The structure of the report is to first provide some of the current challenges facing the LDCs in today's changing market in Section 1– this is not necessarily new; however it is shaped in such a way that it asks all LDCs very specific questions about their customers, its operations, the people, infrastructure reinvestment, technology enablers and its financial stability for the future. Then, in Section 2 the report discusses some of the specifics of the actual transaction between Collus and PowerStream in an attempt to provide full disclosure regarding the structure, the terms and the time required to close the transactions. And in Section 3, we document nine (9) specific benefits and successes that Collus PowerStream has experienced as it relates to the challenges represented in our Section 1. The format includes sixteen (16) case studies that illustrate how the Collus PowerStream strategic partnership has positively impacted its ability to serve and provide value to its customers.

Drivers of Change Require New, Innovative Collaboration Structures Going Forward

THE CASE FOR A NEW, INNOVATIVE COLLABORATION STRUCTURE

Today's LDCs continue to face the ubiquitous realm of change which has been constant throughout the days since deregulation of the electricity marketplace occurred in the late 1990s. In addition to the traditional goals of safety, efficiency and reliability, today's utility must address the growing desire by customers to have greater control over their energy use decisions to lower costs and receive better service through innovation.

The challenge of balancing new regulatory mandates while maintaining affordable and reliable service has created an environment of unpredictability that cuts at the thread of being able to operate efficiently and effectively to serve the customer and community. As more regulations are put in place, LDCs must find ways to fund, implement and manage these changes while ensuring that customers' lights stay on. These changes represent significant investments that are currently recovered from consumers. As a result, average customer rates have and will continue to rise. Recent projections indicate that Ontario electricity energy prices will grow by 46% in the current five-year period.[1] Hence, there are competing forces with the realities of our assets and the conflicting need to minimize energy costs for the customer.

LDCs continue to focus investments in the core operations of distribution to update aging infrastructure, improve asset performance and utilization and preserve reliability. The challenge of balancing the need for significant investments to shore up reliability and compliance, while minimizing the cost to consumers, is putting tremendous pressure on LDCs to find new, innovative collaboration structures and operational programs.

Nonetheless, the full implementation of these programs, and their integration into new, more efficient utility distribution models, represents one of the greatest opportunities for addressing growing demands for better operating, economic and community results from aging utility infrastructure. With an ever-increasing pace in technology advancements, including smart grid and distributed generation solutions, the lines are blurring, and thus separating utility operations and information technology, communication type enterprises. The good news is that industry leaders and municipal shareholders are not without options that can help stretch precious capital resources. However, the future LDC will require collaborative efforts to change organizational culture, paradigms and, in some cases, ownership structures to yield the most productive solutions.

[1] Ontario's Long Term Energy Plan.

*Canadian Tire and Cleansheet's campaign debuted during the World Junior Hockey Championships. The inspirational Toews Team photo commercial shouts the message that "**there is no such thing as an unassisted goal**."*

*It begins with the arena announcer saying: "Jonathan Toews' goal assisted by... "the viewers are expecting another hockey player to be named, but to their surprise, they see his parents, community rink builders, fundraisers, sponsors and carpoolers instead. The announcer credits them with the assists whose actions prove "**there is no such thing as an unassisted goal**."*

*Similarly, the strategic partnership between Collus and PowerStream fits the analogy that the Collus operations today credits all the people of PowerStream whose skill, experience and cooperation prove **"there is no such thing as an unassisted goal."***

Drivers of Change Require New, Innovative Collaboration Structures Going Forward

THE LDC EVOLUTION FROM "THEN" TO "NOW".....

ATRIBUTE	THEN.....	NOW.....
Business Model	Simple, based on steadily increasing electricity sales typically from an expanding asset base of centralized generation and traditional delivery infrastructure.	Complex, integrated energy services provider serving the increasing demands of the engaged customer with an information-enabled infrastructure in a distributed generation environment.
Customer	Passive. Relationship was simple – provide electricity and the customer pays the bill each month.	Customer is now engaged – no longer accepting the historical "just pay the bill" mentality. Customers' expectations will continue to increase from information on demand, cost justifications, higher degrees of control and personalized interaction channels.
Infrastructure	Distribution systems were mechanical, binary and had been relatively consistent decade to decade n relation to poles and wires infrastructure. Distribution systems were augmented based on population growth.	Distribution systems are now fluid, intelligent and mobile to meet the needs of the engaged customer. Risk-based processes/systems will help LDCs replace "reactive" practices to develop comprehensive replacement/growth infrastructure programs challenged by limited capital resources.
Technology	Technology "facilitated" the LDCs' objectives to provide reliable, consistent and safe energy to the customer. Technology was centralized, incremental and secondary.	Technology is now disruptive. Being a 'poles and wire' company is being replacing by becoming an information and communication company. **LDC 2.0** is here. Smart thermostat companies sell for $3.2 billion to the likes of Google. The "last mile" and "first mile" connecting customers to the grid positions LDCs as a unique enabler in creating new value propositions.
Regulatory	320 LDCs existed n 1998 prior to Bill 35. The OEB then became responsible for regulating prices and protecting the public. The OEFC, ESA and IESO were also created. In 2004, the OPA was formed to ensure an adequate supply of electricity and the Conservation Bureau was also created. Numerous regulatory bodies providing oversight for the remaining 73 LDCs in the Ontario market.	Recent legislative and policy initiatives have increased political and regulatory uncertainty. Regulatory costs have also increased substantially over the last decade even though the number of LDCs have declined.
Access to Capital	Restrictive. Municipalities were not permitted to invest in the utilities they owned. And there were limitations on private investments in LDCs based on punitive tax regulations.	Still restrictive—changes have not occurred. New, innovative capital programs have not been introduced to ensure that LDCs will be able to continue to service customers' ever-increasing demands.

Drivers of Change Require New, Innovative Collaboration Structures Going Forward

1. COLLUS, POWERSTREAM AND THE DISTRIBUTION SECTOR REVIEW PANEL

PowerStream and the Town of Collingwood closed an agreement on July 31, 2012 which saw PowerStream purchase a 50% interest in Collingwood Utility Services Corp. from the municipality. In addition to the Town of Collingwood receiving proceeds from the sale, the utility—later rebranded as Collus PowerStream—would also be able to secure services from PowerStream through mutually agreed upon shared service agreements. Enhancing service offerings to customers by combining the local operational approach of a local utility with the resources available through a regional utility was the thinking behind the strategic partnership.

This innovative ownership arrangement between the Town of Collingwood and PowerStream was developed in response to the Ontario Government seeking efficiencies from the distribution sector by providing a viable alternative to the traditional merger and acquisition consolidation model that PowerStream and other Ontario utilities have engaged in previously.

Ontario Government's Distribution Sector Review Panel report on the future of the province's electricity distribution sector referenced by PowerStream in its own submission to the Panel in June 2012 including the consolidation of local distribution companies within a region to gain efficiencies to benefit customers. The Panel, whose membership consisted of representation from all three major Ontario political parties, was tasked in 2012 by the provincial government to provide advice and make recommendations to the Minister of Energy regarding issues related to Ontario's electricity distribution sector and distribution models, including opportunities for consolidating distributors. As part of its consultation, the Panel examined potential long- and short-term financial savings associated with consolidation, benefits for ratepayers, long- and short-term operational efficiencies and potential risks.

Through its own experience with consolidations, PowerStream has seen operating cost savings of 10-15% when compared to pre-merger costs. Combined annual synergy savings as a result of mergers and acquisitions since 2004 has enabled the company to maintain customer distribution rates that are among the lowest in Ontario.

WILL THE LOCAL LDC BE ABLE TO.....

MANAGE THE RECOMMENDATIONS OF THE DISTRIBUTION SECTOR REVIEW PANEL?

"PowerStream, working in conjunction with its shareholder municipalities, has a record of executing cost-effective mergers and acquisitions that have resulted in reducing the upward pressure on customer distribution rates while maintaining industry-leading safety, reliability and customer service. We commend the Panel for their insightful review of the sector and their forward-thinking recommendations."

Frank Scarpitti, PowerStream Director and Mayor of the City of Markham.

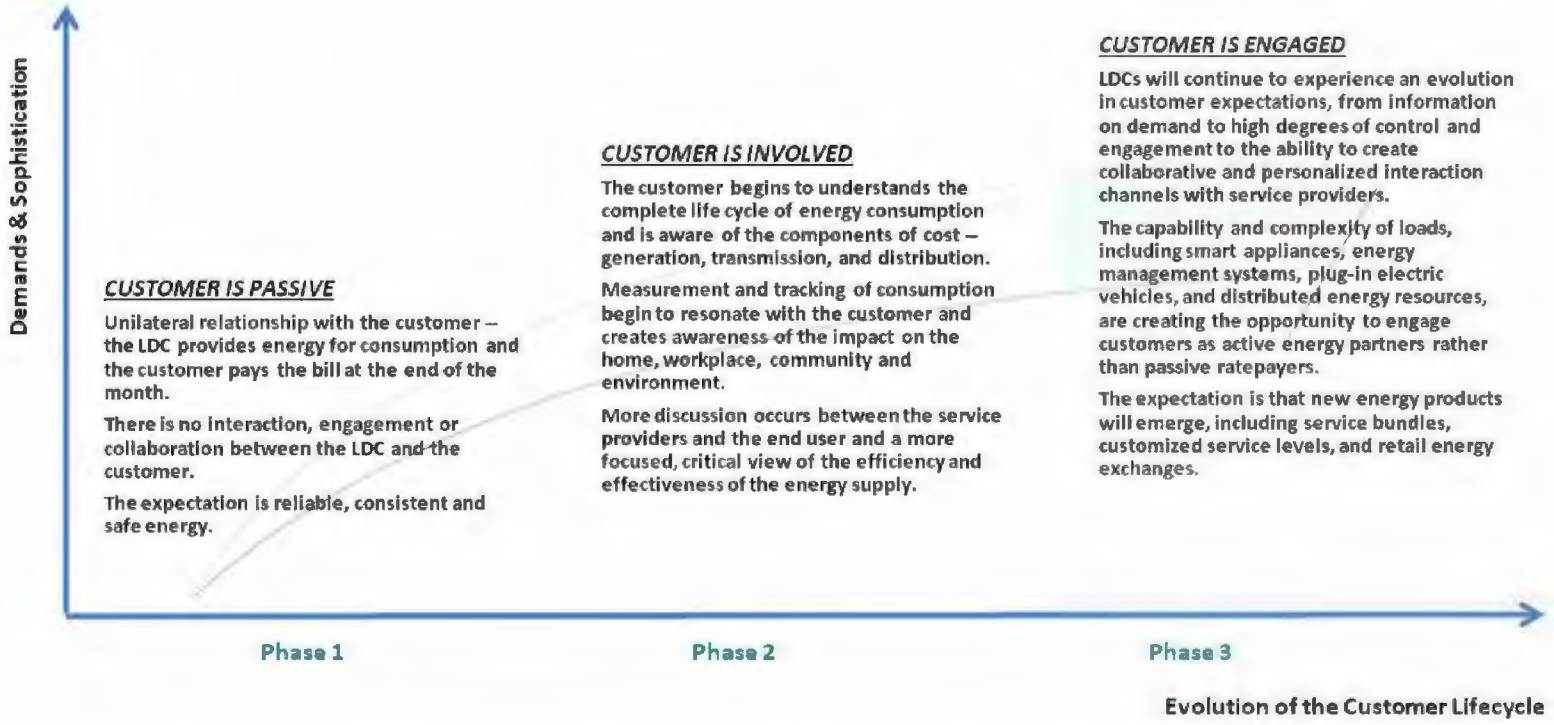
Drivers of Change Require New, Innovative Collaboration Structures Going Forward

2. THE CHANGING NEEDS OF THE CUSTOMER

Meeting customers' demands will create opportunities; however, the modern utility will require transformation from the current, traditional electric distribution LDC business model. Delivering safe and reliable electricity will always form the bedrock of what the LDC does, but it will need to expand its vision and adapt to changing circumstances in order for its employees to provide energy sustainably for its customers, communities and shareholders. The customer is no longer passive, as they too have transformed into a level of engagement that will challenge today's LDC.

WILL THE LOCAL LDC BE ABLE TO.....

MEET THE EXPECTATIONS OF THE CHANGING NEEDS OF THE "ENGAGED" CUSTOMER?



Drivers of Change Require New, Innovative Collaboration Structures Going Forward

3. OUR EMPLOYEES ARE KEY TO PROVIDING VALUE; DO WE GIVE THEM THE RESOURCES THEY NEED TO BE EFFECTIVE?

As the electricity distribution industry focuses on priorities such as consolidation, economies of scale, customer value statements and enabling technologies, it is possible that a key driver for the utility's success is sometimes overshadowed by such priorities – the utility's employees that are the front-line workers interfacing with approximately five million customers in Ontario. In this state of constant flux, the LDC must ensure that there is a stable foundation of its employees from which all the utility's strategic goals and objectives can be effectively executed.

Each LDC must determine if it is providing the necessary resources to its employees so that the employees remain engaged in their work and continue to provide value to the customer. LDCs will need to be honest with their employees, communicate business strategy and objectives, be able to demonstrate the "golden thread" that connects an employee's day-to-day activities with the future plans of the LDC to serve the customer, and provide a performance based measurement system that encourages the behaviours that the LDC sees as key to driving future growth.

Does today's LDC:

- *Provide job security in an environment and market that is constantly undergoing change?*
- *Implement the necessary resources, tools and authorities so that the employee can be most productive in his or her job?*
- *Create a culture whereby the employees think that they indeed provide value to the customer?*
- *Provide a workplace where the employee is able to manage stress and have a suitable work/life balance?*
- *Leverage technology to increase productivity and output?*
- *Provide a workplace the instills confidence in their future and the future of the LDC?*

WILL THE LOCAL LDC BE ABLE TO.....

PROVIDE THE NECESSARY RESOURCES AND SECURITY REQUIRED BY ITS EMPLOYEES?

Drivers of Change Requires New, Innovative Collaboration Structures Going Forward

4. THE REGULATORY LANDSCAPE IS CONSTANTLY IN FLUX

In 1998, there were approximately 320 LDCs in Ontario. Bill 35, the Energy Competition Act, was passed in 1998. Significant consolidation resulted such that there are approximately 73LDCs today. After market restructuring, the Ontario Energy Board (OEB) assumed oversight over the Ontario electricity distribution sector. In this role, the OEB controls electricity rates and service standards, and sets rules with respect to utility operations. Under the OEB's current rate setting approach, LDCs are required to submit a full Cost of Service Application every 3 to 5 years. This rebasing process results in rates that cover allowed utility costs and that provide for a regulated return on a utility's invested capital or rate base. Between rebasing applications, the OEB adjusts an LDC's rates through an annual indexing process. This indexing process takes into account general cost trends and changes in financial market conditions, as well as deemed productivity increases. The OEB rate setting and regulatory processes put significant pressure on all LDCs, but particularly smaller LDCs with limited management resources.

The Province remains concerned about the continued operation of these 73 LDCs and believes that without economies of scale this will result in additional costs. Many observers expect the Province to take steps to encourage additional LDC consolidation thus creating a sense of urgency amongst LDCs to do "something".

The Province is also concerned that hard-to-service rural areas will be left out of voluntary transactions. Hence, initiatives to encourage municipal consolidation may be tied to specific measures to create a number of large, regional utilities. Compounding the complexity is the customer who is constantly trying to manage their energy bill which have been rising at rates greater than inflation as a result of several factors. These include:

- The introduction of the HST.
- Increases in transmission and distribution charges as a result of the need for repair and renewal of electricity networks, implementation of Smart Meters, and general increases in regulatory and other costs.
- The construction of new clean energy plants to supply additional capacity in parallel with the phase-out of coal generation.
- The impact of OPA contracts for renewable power at above-market rates.

This has resulted in additional political sensitivity to power costs and may make future Provincial policies somewhat uncertain and subject to change which creates a level of tension and perhaps anxiety for today's LDC.

WILL THE LOCAL LDC BE ABLE TO.....

MANAGE THE BURDEN OF INCREASED REGULATORY OVERSIGHT, NEW POLICY IMPLEMENTATION AND COMPLEX REPORTING?

Drivers of Change Require New, Innovative Collaboration Structures Going Forward

5. TO PROVIDE CONSISTENT, RELIABLE, SAFE ENERGY CHALLENGES OUR ASSETS AND INFRASTRUCTURE EVERYDAY [1]

Many, if not all, of the smaller LDCs are expected to have challenges meeting the public's expectations for new and more sophisticated services in the near future, while achieving higher levels of efficiency in the process. Yet it is expected that the distribution sector will have to manage billions of dollars in new investment in assets over the next decade just to keep its systems operational, to say nothing of upgrading them to meet new challenges presented by the smart grid, electric vehicles and distributed generation.

With increasing upward pressure on utility rates from necessary capital investments, utility regulators and other stakeholders will be examining these investments much more closely than in the past. This means LDCs must be prepared to provide strong evidence to demonstrate their investment programs are well-conceived and can provide desirable results. The more a utility is able to demonstrate to regulators and stakeholders that its infrastructure replacement programs are based on the right balance of cost, risk and performance – essentially proving they are "getting the most bang for the ratepayer buck" – the less debate there will be around the cost of these investments in utility rate cases.

Electric distribution infrastructure across Ontario also faces challenges associated with extreme weather events causing service disruption as recently experienced, population growth and shifts, and capital limitations. Addressing these challenges requires significant time, experiences, commitment and investment. In an era burdened with uncertainty, LDCs will need to plan, mobilize and execute relevant and realistic business plans that marry with the future, sometimes conflicting, demands of the engaged customer, the regulatory bodies, the community and its shareholders.

While recent large storm systems bring the issue of reliability to the forefront, other forms of reliability improvements provide significant benefits for customers and the utility's overall financial performance. A risk-based infrastructure, or asset management, process and system will help utility leaders focus on and make decisions to improve the riskiest assets and issues on their systems.

The challenge of improving asset management practices should not be underestimated. Many utilities have benefited from the use of working with other LDCs to provide practical advice and insight based on "real life" experiences related to embedding asset management into day-to-day business and operational tasks; this is especially true for organizations that have limited resources.

WILL THE LOCAL LDC BE ABLE TO....

PROVIDE CONSISTENT, RELIABLE AND SAFE ENERGY WITH ITS CURRENT INFRASTRUCTURE?

[1] *Black & Veatch*

Drivers of Change Require New, Innovative Collaboration Structures Going Forward

6. CONSERVATION AND DEMAND MANAGEMENT (CDM) REQUIRES TIME, RESOURCES, MEASUREMENT AND EFFECTIVENESS

Conservation and demand management (CDM) is a critical mechanism for reducing energy consumption and maintaining system reliability. In addition, CDM is often referred to as the cheapest source of energy for utilities. The Institute of Electric Efficiency (IEE), created by the Edison Electric Institute in 2008, refers to the concept of CDM as the "first fuel" for the industry.

In addition to its advantage as the lowest-cost energy resource, CDM provides numerous benefits to utilities and customers[1]:

- Lower energy bills, greater customer control and greater customer satisfaction;
- Modular and quick to deploy;
- Environmental benefits from reduced fuel consumption; and
- Economic development.

The benefits of CDM are clear, and hence the OEB and OPA have implemented the demand reduction targets for the period ending 2014 which many LDCs will most likely be unable to satisfy. What happens then – punitive penalties which will put further strain and burden on the LDC?

It is also important that customers receive proper education about CDM programs and their benefits. This helps the utility achieve greater market penetration with its energy efficiency programs, and helps customers understand potential cost savings and the impact to the environment. To pursue a cost-effective CDM, utilities will need to allocate resources to:

- Recognize the value of energy efficiency;
- Actively seek out lessons learned and best practices from other LDCs;
- Advocate for appropriate policies to support CDM;
- Develop goals that are specific to an LDC's local situation and circumstances, consistent with results achieved by leading utility programs;
- Include CDM initiatives in asset, operations and financial plans.

WILL THE LOCAL LDC BE ABLE TO.....

MANAGE THE CDM DEMAND REDUCTION REQUIREMENTS FOR THE PERIOD ENDING 2014? WHAT ABOUT THE NEW REQUIREMENTS THAT WILL BE MANDATED STARTING IN 2015?

[1] The National Action Plan on Energy Efficiency (NAPEE)

Drivers of Change Require New, Innovative Collaboration Structures Going Forward

7. TECHNOLOGY IS MOVING SO FAST AND IT IS A CHALLENGE TO ADAPT[1]

The pace of adoption of new technologies in the electricity distribution industry has been almost exponential in recent years. This uptick in adoption can be largely attributed to the availability and maturity of an increasing number of new and enhanced enabling technologies including Advanced Metering Infrastructure (AMI), Meter Data Management Systems (MDMS), Outage Management Systems (OMS), Distribution Management Systems (DMS), Enterprise Asset Management (EAM), mobile and more. Increasingly, utilities are implementing multiple smart grid solutions concurrently to obtain the synergies available from broader utility transformation. This is expected to continue into the future as electric utilities continue to take advantage of the capabilities of these and future technology solutions.

The transformative nature of new technologies such as smart grid, micro grid, and distributed generation will challenge the siloed functional organization that many utilities have traditionally used causing new forms of organization, structures and accountabilities to be developed. As technology solutions transition from project implementation to sustainment, significant changes to a utility's technology systems and business processes will have to be implemented. And, depending on the initiative, there are multiple departments that must oversee and operate these transformed systems. This fundamental shift in focus will need to accepted and embraced by the local LDCs as they continue to provide energy to their customers.

The implementation of technology solutions also presents significant integration and financial challenges for utilities in terms of managing data, integrating business processes and modifying legacy systems to work with new solutions. Business cases need to be developed and challenged as part of the rate setting process with the OEB. The business cases upon which the project is justified routinely requires that the utility break down the isolation of systems and create synergies between the operational systems internally, and more commonly now, on a collaborative basis with neighbourhood or regional LDCs. The new capabilities provided by the enabling technologies—dependent on multiple integrated systems with multiple users in multiple organizations with multiple customer demands—will require LDCs to look at who is doing the work, not just how and where. This results in the need to address areas of job redesign, training and new skills development that will have to be executed and supported by the LDC.

WILL THE LOCAL LDC BE ABLE TO.....

LEVERAGE CURRENT AND FUTURE DISRUPTIVE TECHNOLOGIES THAT WILL PROMOTE MORE EFFICIENT USE OF RESOURCES TO ULTIMATELY DELIVER INCREASING VALUE TO THE ENGAGED CUSTOMER?

LDC 2.0

Google's recent purchase of Nest Labs for US$3.2 billion is a transaction that complements the LDC's value proposition to the customer. The three-year-old start-up sells a smart, self learning thermostat with algorithms and sensor technology that is an example of a smart, connected device within the new realm of the Internet of Things (IoT). Buyers of the Nest, claim energy savings of 5% - 60% - imagine the implications for CDM. The path pushing the traditional LDC to become LDC 2.0 is well underway—LDC 2.0 embraces connectivity, mobility, intelligent devices and "real time" participation.

[1] *Black & Veatch*

Drivers of Change Require New, Innovative Collaboration Structures Going Forward

8. FINANCIAL RESOURCES ARE FINITE – HOW DO WE FUND THE FUTURE?

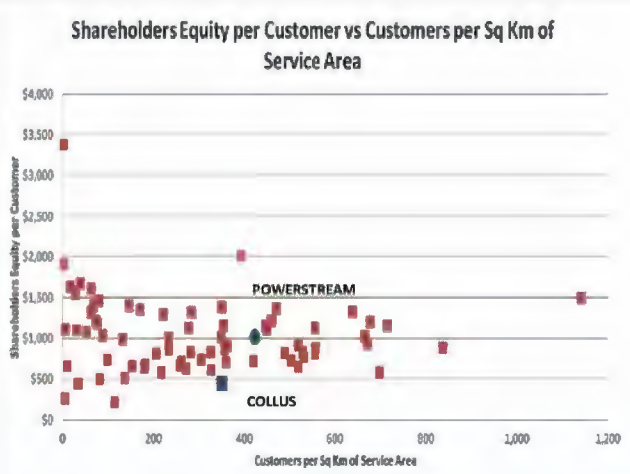
LDCs are grappling with several issues simultaneously, each of which will have major financial impacts—massive reinvestment in the existing delivery infrastructure, implementing the smart grid and its associated technologies and possible declines in kWh sales volume as CDM and distributed generation capabilities take hold in the market. All of this requires a large, diverse long-term investment program that will have significant effects on revenue requirements and rate bases.

As LDCs continue to pursue capital investment programs, they must be able to ensure that the investments are allowed into their rate base by the OEB. Otherwise, the utilities will incur financing costs without offsetting revenues, which will increase overall costs and could negatively impact the financial stability of the business. Similar effects would be felt from widespread adoption of customer owned or sited generation, or any other resources that would tend to lower energy sales by LDCs. These new, micro energy resources could end up having a significant negative impact on the LDCs finances to the extent that they erode retail electricity sales. This effect will be compounded if utilities are also forced to enhance electricity delivery infrastructure and grid operations to manage high penetrations of distributed energy resources.[1]

The local LDCs will need to develop robust investment capital programs to ensure a steady, consistent of availability of funds. The Distribution Sector Review Panel quotes a 2011 Conference Board of Canada estimate that $20.6 billion in investment will be required over the next 20 years, not including additional investment to deal with distributed generation and the smart grid. The panel says that smaller LDCs generally have access to a narrower variety of capital markets and are typically charged higher interest rates and financing costs, a cost that is passed on to customers. The panel states further that the smaller LDCs should be able to turn to private finance, rather than adding to the Province's debt load through Infrastructure Ontario's concessionary-rate loans. However, the private capital markets have not been able to construct bespoke financial solutions to aid the LDC in the current environment.

WILL THE LOCAL LDC BE ABLE TO.....

MANAGE THE FINANCIAL REQUIREMENTS THAT WILL BE NEEDED TO FUND NEW AND REPLACEMENT INFRASTRCTURE, CDM PROGRAMS, ENABLING TECHNOLOGIES AND STILL PROVIDE DIVIDENDS TO THEIR SHAREHOLDERS?



[1] Moody's Investors Service, "Annual Outlook: U.S. Electric Utilities Face Challenges Beyond Near-Term," January 2010.

What Are the Options for LDCs to Pursue?

With the release of the Distribution Sector Review Panel's recommendation to promote consolidation in the market, a forward momentum has now gripped the LDC participants to strategize what they are going do as their neighbours decide to take action. We have attempted to simplify some of the options available to LDCs in the LDC Collaboration Matrix.

1. **Status Quo:** Continue with the current structure of operations and ownership regardless of changes in the industry.

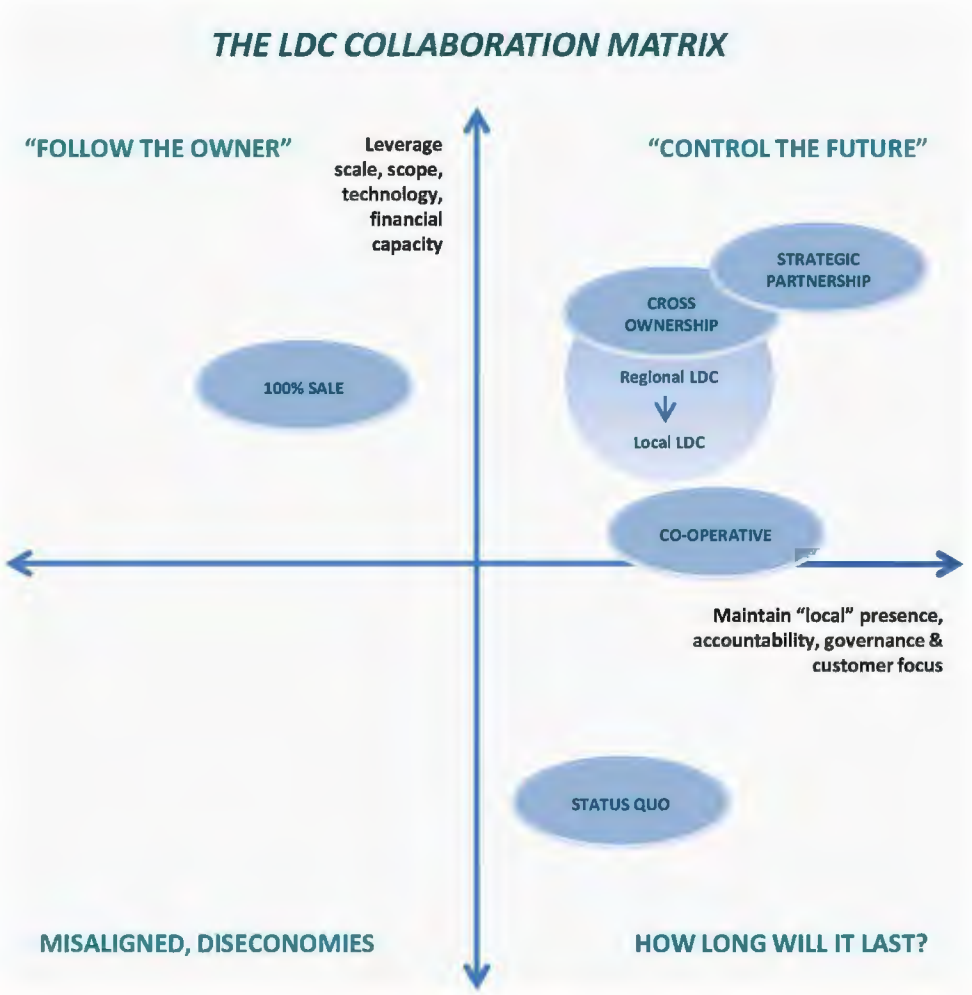
2. **Co-Operative**: An informal collaborative structure to benefit from combined purchasing, communal software programs, common servicing arrangements, best practices, continuous improvement and sharing of resources and experiences on an as needed basis. Examples include CHEC and UCS.

3. **Voluntary Cross-Ownership:** LDCs come together and voluntary merge their respective corporations into a single entity that allows for common ownership. Examples include PowerStream's merger with Barrie Hydro in 2009.

4. **100% Sale to Larger LDC:** Acquirer acquires 100% of the ownership of the target LDC and assumes all operations, governance, employees and assets of the LDC. Examples include the recent proposal by Hydro One to Haldimand County.

5. **Strategic Partnership:** Partial monetization of a municipal utility yet retains local presence, accountability and employment alongside benefiting from the scale of its partner. Only example in Ontario is Collus PowerStream.

Upon execution and implementation, the parties need to remain focused and diligent to ensure that the original objectives are met, otherwise any structure will have the risk of falling into the "Misaligned, Diseconomies" quadrant of the LDC Collaboration Matrix.



What Are the Options for LDCs to Pursue?

THE DECISION-MAKING PROCESS FOR THE TOWN OF COLLINGWOOD AND COLLUS

In addition to the need to manage the continuing, and at times overwhelming, pace of change in the LDC market in Ontario, a catalyst to assess strategic options for Collus first originated in a Board retreat in 2009. To further the progressive thinking, was also a request from Collingwood Mayor Sandra Cooper who, after taking office in December 2010, challenged all the Town's municipal departments to find new ways to be more efficient and reduce costs without having a negative impact on the municipality's services.

The Town of Collingwood engaged KPMG in February 2011 to do a complete evaluation of the utility and examine possible options for the utility going forward. It quickly became evident that the strategic partnership option was the best fit for the Town of Collingwood, especially with the expected push for additional consolidation of Ontario's distribution sector. Not only would the strategic partnership option provide a cash payment that can be used for municipal purposes, the Town of Collingwood would retain 50% ownership, there would be the potential to achieve savings through synergies, future dividend payments and the additional oversight would help reduce the risks for the municipality to be involved in the electricity distribution business.

In June 2011, the Town of Collingwood Council gave its approval to further pursue the strategic partnership option and a nine person task team consisting of representatives from the municipality and the utility was formed to develop a process and issue a request for proposal (RFP) which outlined the key contributions required of a strategic partner, including:

- An investment of up to 50% in Collus Power shares
- Provision of strategic and specialized resources to Collus Power through Service Agreements
- Support in growing the Collus Power business, both organically and through acquisition
- Continued and enhanced support for the interests of the communities we serve and the utility's employees
- Continued and substantial presence in the communities served by Collus
- Continued focus on maintaining and enhancing the competitive distribution rate and cost structure of Collus

Strategic Partnership Task Team

Mayor, Sandra Cooper
Deputy-Mayor, Rick Lloyd
Kim Wingrove, former CAO
Dean Muncaster, Chairman, Collus
David McFadden, Director, Collus
Doug Garbutt, Chair, CPUSB
John Herhalt, KPMG
Ed Houghton, President & CEO
Tim Fryer, former CFO

What Are the Options for LDCs to Pursue?

SELECTING THE STRATEGIC PARTNERSHIP WITH POWERSTREAM

The Strategic Partnership Task Team approached five LDCs as potential strategic partnership candidates. The RFP was issued to each of them in early October 2011 and four proposals were received by the November 16, 2011 deadline. A comprehensive evaluation matrix was used in order to evaluate the proposals that gave both financial and non-financial criteria for fair consideration.

Proposal Selection Criteria

Criteria	Points
1. Investment for up to 50% of shares	30
2. Provision of strategic and specialized resources and support in growing the Collus business	30
3. Support for employees and their careers	10
4. Customer experience and satisfaction, and supporting the interests of the communities	10
5. Competitive distribution rate and cost structure of Collus	10
6. Cultural and synergistic fit	10
	100

"We were very impressed with how the Town of Collingwood and the Collus Power Board of Directors went about investigating all the possible ownership options and then in conducting a selection process which gave full consideration to the key factors that were in the best interests of all the key stakeholders."

Brian Bentz, President & CEO PowerStream

Each team member was provided the Evaluation Matrix and was responsible to score Selection Criteria 2 – 6; Criteria 1 was common to all proposals and thus scored 30 points in all Evaluations. After all the scores were complied, PowerStream was the clear choice as Collus' strategic partner.

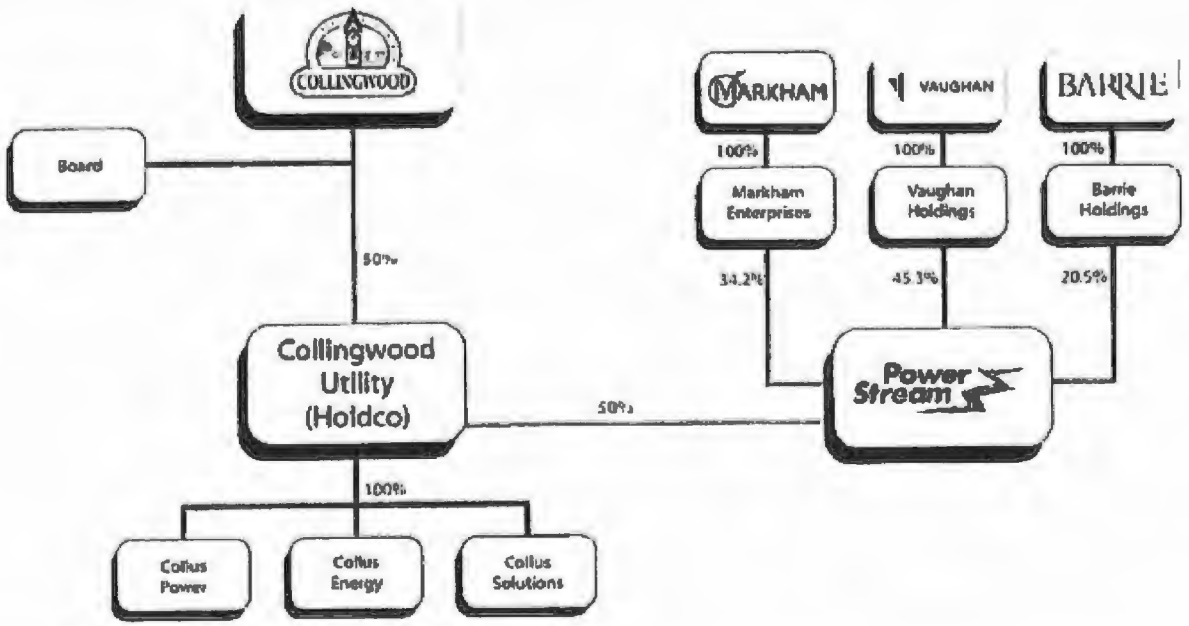
Criteria	Points	Proposal A	Proposal B	Proposal C	PowerStream
2. Provision of strategic and specialized resources and support in growing the Collus business	30	200	120	105	265
3. Support for employees and their careers	10	65	49	55	80
4. Customer experience and satisfaction, and supporting the interests of the communities	10	75	44	81	89
5. Competitive distribution rate and cost structure of Collus	10	81	37	71	76
6. Cultural and synergistic fit	10	63	38	43	88
	70	484	288	455	598

What Are the Options for LDCs to Pursue?

OWNERSHIP STRUCTURE POST-TRANSACTION

On March 6, 2012, Collingwood and PowerStream signed a Share Purchase Agreement in which PowerStream agreed to purchase and Collingwood agreed to sell 50% of the common shares of Collingwood Utility for cash consideration. Collingwood Utility is a non-regulated holding company and owns 100% of Collus Power, which holds Electricity Distribution Licence ED-2002-0518.

Following the transaction, Collingwood and PowerStream each appointed 50% of the Board of Directors of Collingwood Utility and the Chair does not possess a second vote in the event of a tie. As such, neither PowerStream nor Collingwood will have control over Collus PowerStream.



Collus Power and PowerStream Inc. continue to operate as individual corporations under the current distribution licences. Since Collus PowerStream and PowerStream remain as two separate entities, there is no need for a rate harmonization process. The transaction was cost neutral for the customers of Collus Power Stream and there was no change in the distribution rates resulting from the transaction.

What Are the Options for LDCs to Pursue?

MANAGING THE TRANSITION BY FINALIZING A MASTER SHARED SERVICES AGREEMENT

Collus and PowerStream decided to move forward to create a comprehensive Master Shared Services Agreement (MSSA) that is to include very specific Statements of Work that outlines requirements, roles and responsibilities and deliverables. A team was assembled that was sponsored by the CEO of Collus Ed Houghton and the CEO of PowerStream Brian Bentz.

In order to make the process of selecting a list of services not cumbersome, the team focused on priority items to stage the services accordingly. The terms of the MSSA covered all legal terms and conditions and was executed on July 26, 2013 and covers a five-year term from January 1, 2013 to December 31, 2017.

Master Service Level Agreement Timeline

Task	Time
Identify potential services offered by PowerStream that can be leveraged by Collus	April 30
Internal scope of work and associated costs	May 30
Assess Collus' needs referenced by affordability	June 30
Draft the Master Shared Services Agreement	June 30
Negotiate, approve and execute the Master Shared Services Agreement	July 26
Approval and execute the Master Shared Services Agreement	July 26

Then each targeted specific service was discussed, negotiated and finalized into an agreed Statement of Work. A Transition Timetable was put together to manage the implementation of each Statement of Work.

Statement of Work Implementation Timeline

Area	Scope of Work	Time
Conservation and Demand Management	CDM Delivery Program	May 1
Regulatory	2013 Cost of Services and IRM Support	January 1
Finance	IFRS Implementation Support	June 15
Operations	Control Room After-Hours Dispatch – Phase 1	October 1
Corporate Services	Health and Safety Support	October 1

What Are the Options for LDCs to Pursue?

MYTHS AND FACTS ABOUT THE COLLUS POWERSTREAM STRATEGIC PARTNERSHIP

As the process unfolded to complete this Review of the strategic partnership between Collus PowerStream and PowerStream, external stakeholders were commenting that there are misconceptions in the industry in terms of the actual deal structure, operational processes, shared systems, governance protocols, employee consequences and collaboration attempts. Below is a simple "Myth and Fact" chart to provide some clarity and guidance to the LDC community.

	MYTH	FACT
1.	"It is just another merger."	PowerStream acquired 50% of the shares of Collus from the Town of Collingwood in exchange for cash proceeds that benefited the municipality directly. Subsequent to the July 2012 transaction, Collus and PowerStream each operate separate and distinct businesses, each with its own licence and rate base. Operations, finances, employees and governance were not unified nor commingled into one combined legal entity.
2.	PowerStream controls Collus PowerStream and major decisions are made in Vaughan.	Collingwood and PowerStream each appointed 50% of the Board of Directors and the Chair does not possess a second vote in the event of a tie. As such, neither PowerStream nor Collingwood have voting control over Collus PowerStream.
3.	Collus PowerStream is no longer a "small" LDC serving the needs of the local customer, community and its employees.	Collus PowerStream still remains a "small" LDC providing service to its population of 16,000 customers from its office on 43 Stewart Drive in Collingwood with the same employee base that it had prior to the strategic partnership transaction. In fact, being partnered with PowerStream now provides Collus a unique perspective when sharing experiences with other "small" LDCs.
4.	Collus PowerStream employees are really employees of PowerStream.	Collus PowerStream employees are still employees of Collus PowerStream and are managed by the Collus lPowerStream eadership team.
5.	The relationship between Collus PowerStream and PowerStream is just a shared services arrangement.	As part of the strategic partnership there is indeed a master shared service agreement (MSSA) that continues to evolve as the needs of Collus are addressed by the capacity and capabilities of PowerStream. Nevertheless, the MSSA is only one component of the strategic partnership.
6.	Collus PowerStream has now lost its roots in the community.	Collus PowerStream continues to be active in the community and has never lost the rich heritage that the utility has built since the early 1860s when the Town's first streetlights were illuminating Hurontario Street's plank walkways. In fact, the cash proceeds from the strategic partnership transaction was able to fund capital projects o further ehnance the connections and relationships amongst the people of the community it serves.
7.	The needs of the Collus PowerStream customers are being commingled with the needs of the PowerStream customer and are no longer locally focused.	The needs of the Collus PowerStream customer are served directly by the employees of Collus PowerStream.
8.	Collus PowerStream information systems are run on PowerStream systems and no longer have control.	Collus PowerStream still controls all of its information systems, data and technology and now has the bench strength of experts at PowerStream to assist when required.
9.	The cash proceeds from the sale of 50% of the Collus shares to PowerStream were encumbered and "had strings attached."	There was absolutely no encumbrances on the cash proceeds paid for by PowerStream to acquire 50% of the shares of Collus from the Town of Collingwood.
10.	The details of the transaction have not been fully disclosed and communicated.	Details of the Collus PowerStream transaction have been provided to the OEB and passed through all the regulatory gates in order to be approved. Nonetheless, Collus PowerStream agrees that it should have executed a more effective and comprehensive communication strategy to all stakeholders, including the other LDCs in the market.

Benefits and Successes of the Strategic Partnership

BENEFITS REALIZED FROM THE STRATEGIC PARTNERSHIP

1. ***Complimentary Vision, Mission and Values***. Collus and PowerStream each have a strategic vision, mission and values that compliments each other to describe their future as a regulated electric utility. This will enable the company to effectively implement its business plan to deliver clean, affordable and reliable energy to its customers.

2. ***Platform to Leverage Scale***. Ability to leverage the size of PowerStream's operations and diversity compared to those of Collus PowerStream on a standalone basis. To provide (i) enhanced operational stability, (ii) greater ability to execute Conservation and Demand Management programs, (iii) greater ability to validate business strategy execution risk with a leading, large LDC, (iv) increase asset utilization and share reinvestment programs, (v) a stronger voice in shaping Provincial energy and economic development policies, and (vi) allow for additional options for future potential strategic transactions.

3. ***Complementary Geographic Coverage and Potential Future Diversity***. Ability to take advantage of balanced coverage throughout Central Ontario, where Collus PowerStream and PowerStream have complementary geographic coverage. In addition, Collus PowerStream sees value and potential in augmenting its geographic diversity with strategically partnering with other adjacent LDCs to create increases in scale and scope.

4. ***Employee Engagement and Combined Expertise***. Will combine complementary areas of expertise drawing on the intellectual capital, technical expertise and experience of a deeper and more diverse workforce.

5. ***Value to Our Customers***. As with all business combinations, there was a definite concern regarding how the strategic partnership would impact the customer – potential results could be negative, positive or have no real visibility to the customer. Considering that the strategic partnership has continued to allow Collus PowerStream to have local presence, local accountability and local customer servicing the impact of the strategic partnership has been seamless in the face of the customer throughout 2012 and 2013.

"This is a tremendous day for Collus PowerStream's customers and the communities it serves. The closing of this agreement is the culmination of a great deal of hard work by many individuals and we are very pleased with this announcement. Both I and members of council are appreciative of everyone's efforts to finalize this agreement that will help us be more efficient and cost-effective for customers being served by this new utility."

Town of Collingwood Mayor, Sandra Cooper

Benefits and Successes of the Strategic Partnership

6. ***Leverage Key Advancements in Future Technologies.*** PowerStream's constant pursuit of developing and implementing innovative technologies to positively impact costs, services and value to the customer will be a key leverage point for Collus PowerStream, who would not be able to progress as quickly—and as effectively—on the steepening technology curve if it was operating as a stand-alone utility.

7. ***Cash Proceeds from Sale of Shares and Dividend Recapitalization.*** As part of the transaction with PowerStream, the Town of Collingwood received cash proceeds as consideration for 50% of the common shares of the company and a further cash injection of millions in cash as a unique dividend recapitalization that only PowerStream included as part of their response to the RFP.

8. ***Increased Financial and Operational Stability.*** By having PowerStream as a 50% owner, the company has aligned with a LDC that employs over 550 people to assist Collus PowerStream, and has stable and consistent cash flows earning net income of $28 million in 2012 and a strong balance sheet with over $345 million in shareholders' equity.

9. ***Leveraging the Collus PowerStream Strategic Partnership in Ontario's LDC Market.*** The strategic partnership between Collus PowerStream and PowerStream is an example of an innovative, collaborative structure that can be an option for other local LDCs to understand and discuss as they determine the most appropriate path for their LDC in the future.

"We are pleased to welcome the Town of Collingwood as our partner in delivering utility services to customers in the area. The strategic partnership we have forged demonstrates outstanding leadership by both our organizations in developing a framework for collaboration that we believe could easily be adopted by others in our industry."

Frank Scarpitti
PowerStream Director and
City of Markham Mayor

Traffic lights were installed on Hurontario Street in 1948, at the intersections First, Second, Third and Hume streets to control increasing automobile traffic.

Benefits and Successes of the Strategic Partnership

BENEFIT 1: COMPLIMENTARY VISION, MISSION AND VALUES

As part of our RFP process, a key criteria was to ensure that our partner has a shared vision with respect to delivering value to customers, the engagement of its people and the importance of their career development, the emphasis to encourage and promote innovation in everything that we do and truly be a world class organization delivering excellence everyday throughout the organization, the communities being served and to our shareholders.

COLLUS POWERSTREAM

Vision

Together, we will grow, maximize opportunities and exceed customers' and shareholders' expectations

Mission

Our business provides people with the energy for success, and with the necessities of life

Values

We value the entrepreneurial spirit to responsibly and decisively challenge the conventional

=

POWERSTREAM

Vision

We will be 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

Mission

To deliver reliable power and related services safely and efficiently to support our customers' quality of life and to provide value to our shareholders and the communities we serve.

Values

Respect, Teamwork, Performance, Accountability, Initiative

The similarities of each partner's Vision, Mission and Values provided a clear roadmap that each partner will contribute complimentary goals, objectives and underlying values to serve as a platform to transition both entities into the strategic partnership. Without the sharing of a complimentary platform, any business combination will be prone to have challenges that perhaps cannot be overcome since the attributes to effectively manage the business are differing or even competing. With the case of Collus PowerStream and PowerStream, the complimentary Vision, Mission and Values provided a concrete foundation from which to engage the transition, develop a framework for a successful long-term partnership and provide the resources to implement its complementary business plans.

Benefits and Successes of the Strategic Partnership

BENEFIT 2: PLATFORM TO LEVERAGE SCALE

As explained in the EDA's report, *The Power to Deliver*, in response to the Distribution Sector Review Panel recommendations, the efficiency of a distribution utility and industry structure is affected by the scale of its operations. Generally, one would expect larger distribution utilities to be more efficient, that is, until the utility has achieved sufficient size.[1] The size of PowerStream makes it the 3rd largest LDC in Ontario and, through its innovation, growth and experiences, it has become a world class company that has indeed thrived on achieving efficiencies due to its scale and constant focus on innovation. Note that such a statement is not just focused on efficiencies as it pertains to cost reduction but also the ability to improve upon quality of service, enhancing the customer experience, building employee satisfaction and engagement, reliability of electricity delivery, improvements in health and safety, advances in enabling technologies and community support.

Since the strategic partnership, Collus has been able to leverage the benefits of PowerStream's size and scale in several key areas of the business; specifically:

- Case Study A: Control Room and After-Hours Dispatch
- Case Study B: Health and Safety Support
- Case Study C: Conservation and Demand Management (CDM) Program Delivery
- Case Study D: Regulatory Support
- Case Study E: Conversion to International Financial Reporting Standards (IFRS) Support
- Case Study F: Human Resource Process and Policy Support

In each of the above areas, the Collus team has been able to connect with a counterparty at PowerStream, get their undivided attention to listen to a particular circumstance and be able to dialogue to develop a practical and efficient solution that can be immediately implemented at Collus. Sometimes, it can be a simple phone call asking for the contact info for a supplier that provides fire retardant clothing to PowerStream, or at other times it can be a more robust request to help plan and implement a peaksaver PLUS marketing campaign in order to achieve the required provincial requirements. In effect, the relationship has allowed Collus to benefit from an experienced, knowledgeable workforce of 555 dedicated, engaged PowerStream employees.

QUICK FACTS (2012)

- Customers: **340,343**
- Population served: **1,026,559**
- Service area: **806 km sq**
- Kilometers of line: **7,466**
- kWh purchased: **8,776,522,011**
- Capital additions: **$111,050,245**
- Employees: **555**
- Revenue: **$968.0 million**
- Net Income: **$28.7 million**
- System reliability Index: **99.99%**
- Hours without lost-time injury: **300,000**
- Solar energy production: **8.7 MW**
- **Vehicle-to-home (V2H)** power supply technology

[1] *The Power to Deliver, Options for the Future of Electricity Distribution in Ontario*, Electricity Distributors Association

Benefits and Successes of the Strategic Partnership

BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study A: Control Room and After-Hours Dispatch

CHALLENGE

Collus PowerStream needed to increase the efficiency and cost effectiveness to serve its existing customers after-hours considering the Collus PowerStream office closes at 4:30pm and the only solution for after-hours dispatch was a traditional call answering service similar to the types used by doctors and tradesmen.

SOLUTION

Transfer the existing after-hours dispatch services from Collus PowerStream to PowerStream. A phased approach was developed to facilitate the transfer of the after-hours dispatch services and further control room integration.

BENEFITS AND SUCCESSES

- PowerStream now provides control room monitoring and dispatch services including MAYDAY support to Collus PowerStream covering evenings, weekends and holidays.
- PowerStream System Controllers at the control room will answer trouble calls, identify locations, ping customer meters and log the calls using the System Control Log designed by Collus.
- The Collus On Call Lineman will be contacted by the System Controllers and provided with details on the call and will respond to the trouble call using existing Collus procedures. The Collus On Call crew will call into PowerStream's Control Room first when on site and again when the trouble call has been cleared.

PowerStream state-of-the-art Control Room

- MAYDAY Support – in the event of an emergency, emergency services will be contacted with the nature and location of the MAYDAY and PowerStream will ensure that there will always be a knowledgeable operator available when crews are in the field. Also provide MAYDAY practice drill with Collus field staff and the PowerStream system operators in the Control Room to ensure that all participants are properly trained control room procedures and responses.
- Anticipated in May 2014, PowerStream system controllers will be oversee the Collus Electrical Grid and/or SCADA system and be able to issue work protection such as Hold Offs.

Benefits and Successes of the Strategic Partnership

BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study B: Health and Safety

CHALLENGE

Collus PowerStream needed to streamline and strengthen its existing health and safety practices.

SOLUTION

Collus PowerStream approached PowerStream in the summer of 2013 to seek Health and Safety support services.

BENEFITS AND SUCCESSES

1. Health & Safety Resource Person:
   - Deliver Safety Meeting presentations on current safety topics customized to Collus needs and/or provide Safety Meeting presentations built to meet the needs of Collus for delivery by Collus personnel.
   - Provide regular Site and Crew Visits support including reporting of site inspection findings; and
   - Review Tailboard reports and provide other consultative services as required and agreed upon by both parties.

2. Health and Safety Procedures:
   - Provide support for the development, revising and up-dating of work procedures that meet the specific needs of Collus.
   - Collus will have access to PowerStream Health and Safety procedures, Tailboard forms, Site Inspection forms and Incident forms (Concerns, Injury, Vehicle Accident, etc.)

From: Mark Henderson
Sent: January-09-13 10:31 AM
To: 'Larry Irwin'
Cc: John McClean; Tom Long
Subject: RE: Inquiry

Hi Larry, thanks for your message and happy new year to you as well. We'd be happy to host some of your Ops team members for a Control room Tour. Please feel free to contact John McClean our VP, Operations directly to set up a date and time and he or one his management team staff will conduct the tour and answer questions. I've spoken to John and copied him on this e-mail so you can reach out to him via e-mail (or direct phone is 905-532-4491).

In terms of SOP's, I'm attaching our standardized blank templates we use for Policies and Procedures as a reference. We have a large number of operational policies and procedures developed and in varying stages of integration from their predecessor utilities to a PowerStream standard. This has been an ongoing project for several years and we are happy to share what we have with you.

I thought the standardized blank templates might be a good starting point and if you would like to access more of these I'd recommend connecting with Tom Long, our Manager, Operational Improvement who can help you get what you need. I've spoken to Tom directly and copied him on this e-mail so you can reach out to him as well (direct phone is 905-532-1056).

I hope this response is helpful and we look forward to working with and assisting you and your team over the course of 2013. All the best.

Mark

Real example of the quick, ready correspondence by PowerStream to support Collus

Benefits and Successes of the Strategic Partnership

BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study B: Health and Safety, continued

4. Further assistance with:
   - *a)* *Incident and Accident Investigation*. PowerStream provides support for conducting incident investigation when a major incident occurs, including conducting interviews, performing analysis of incident and producing reports and recommendations for improvement.
   - *b)* *Tracking Incident Reports and Producing Dashboard Reports – INTELEX*. Leveraging INTELEX software suite to track incident reporting, produce dashboard of incident indices and provide support to INTELEX to reduce risk in the workplace at Collus PowerStream.
   - *c)* *Safety Meetings and Safety Statistics*. Leverage INTELEX to track regular Safety Meetings for inside and outside staff and potentially weekly Safety Stats for outside staff.
   - *d)* *Training and Skill Development Support*. Develop Training Matrixes for outside trade staff and provide training support for the delivery of identified training. Leverage INTELEX to track and report on individual training records of training identified in the applicable Training Matrixes.

Power Stream

Procedure No. 14.7

Page 1 of 5

Issue Date: 11/11/ 2011
Revision: NEW

SAMPLE EXCERPT

Responsibilities for complying with Regulation 555/06 of the Highway Traffic Act. Reporting of the number of hours our workers are **on duty** and **driving** our CVOR registered vehicles.

The employee will comply with the regulation and this procedure including timely/immediate reporting of:

- the daily on-duty and off-duty hours commuting time when driving the on-call vehicle to and from the work centre (Personal Use Exemption)
- when their on-duty hours are about to exceed 13 hours in a shift
- when their total on-duty hours with-in the rolling 7-day time period are about to exceed 67.5 hours
- The employee must not work past 14 hours during a shift unless an emergency situation has been first approved by their supervisor or manager.

When they approach 13 hours of on-duty time, in a 24 -hour period between normal start times, the **employee will notify their supervisor,** during regular working hours, and will contact the System Control outside normal business hours and request replacements be contacted to relieve them so they do not exceed the requirements of the regulation MTO-555/06.

The employee must not work past 70 hours in a rolling 7-day period unless they first get approval from their supervisor or manager.

When they approach 67.5 hours of on-duty time, in a rolling 7-day cycle, **the employee will notify their supervisor,** during regular working hours, and will contact the System Control outside normal business hours and request replacements be contacted to relieve them.

After 14 to 16 hours of on-duty time, the **worker cannot come back to work** until they have a **minimum of 8 continuous hours of 'off-duty' time** and in most cases **10 continuous hours of 'off-duty' time.**

After 70 hours they must be 'off-duty' for 36 continuous hours.

Benefits and Successes of the Strategic Partnership

BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study C: Conservation and Demand Management (CDM) Program Support

CHALLENGE

Collus PowerStream was given a regulatory target of 3.14 MW peak demand savings by 2014 and a 2011-2014 cumulative energy savings of 14.97 GWh. Collus was challenged by resource constraints that would make it unlikely that Collus PowerStream would be able to achieve the regulatory targets.

SOLUTION

Work with PowerStream to develop a key action plan and resource commitment in order for Collus PowerStream to achieve its regulatory targets.

BENEFITS AND SUCCESSES

On May 1, 2013, Collus PowerStream approved the CDM services to be provided by PowerStream to Collus PowerStream, including:

1. **Marketing, promotional and outreach Services**
2. **Customer service and customer support**
3. **Customer enrolment and sign-up**
4. **Application review, processing and approval**
5. **Project implementation**
6. **Quality assurance and quality control**
7. **Settlement with the OPA**
8. **Reporting to OPA and OEB**

In terms of specific deliverables, the following are a number of PowerStream's anticipated deliverables and their anticipated timelines:

1. Launch peaksaver PLUS	August 29, 2013
2. Small Business Lighting marketing campaign launch	September 2013
3. Marketing plan execution	Aug/Dec 2013, Jan/Dec 2014
4. Deliver quarterly progress reports to Collus	Jan, April, July, Oct 2014 & Jan 2015
5. Develop 2012, 2013 and 2014 Annual Report for the OEB	September 2013, 2014, 2015

"The strategic partnership which has been formed between Collus PowerStream and PowerStream has been to me and my position as Manager, Billing and Regulatory at Collus PowerStream, a huge asset. My position involves interacting with various departments and requires a large knowledge base. At a small utility we do not have the ability to "specialize" in any one area. Through our strategic partnership we are able to leverage the specialized knowledge and resources of the staff at PowerStream. The strategic partnership has already produced great results to Collus PowerStream through our Cost of Service application and now in the management of the OPA's saveONenergy Conservation and Demand Management programs."

Glen McAllister, Collus PowerStream,
Manager, Billing and Regulatory

Benefits and Successes of the Strategic Partnership

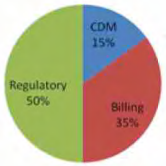
BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study C: Conservation and Demand Management (CDM) Program Support, continued

As part of the shared services agreement, PowerStream provided Collus PowerStream one dedicated PowerStream employee dedicated to CDM to work full-time alongside Glen McAllister, Manager Billing, Regulatory and CDM. Historically, Glenn had only been able to commit approximately 15% of his time in efforts to promote CDM within the Collus community and customer base which essentially challenged the success of the program as outlined by the OPA and OEB.

In May, Elizabeth Kay from PowerStream was assigned as a dedicated resource to work exclusively with Glen and help manage the Collus PowerStream CDM efforts and initiatives. Further, Elizabeth still has the ability and encouragement to leverage the approximately 30 people at PowerStream who are solely focused on achieving best-in-class CDM programs.

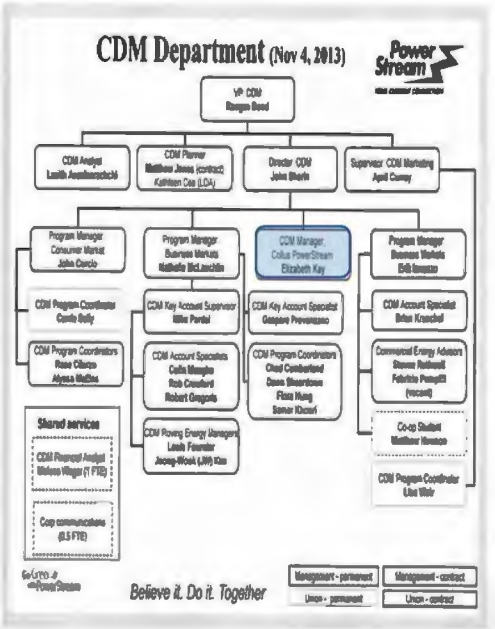
Collus PowerStream, Glen McAllister Time Distribution



ELIZABETH KAY, CDM Manager, PowerStream,

Collus Powerstream Dedicated Resource

Responsible for managing and coordinating the delivery of Provincial Conservation and Demand Management (CDM) Programs within the Collus PowerStream service territory. The CDM Manager will coordinate with PowerStream's CDM Program Managers to leverage and apply PowerStream's existing delivery strategies/tactics/processes within the Collus PowerStream area. See Appendix B for detailed job description.



COLLUS POWERSTREAM IS ABLE TO LEVERAGE A WORLD-CLASS CDM TEAM OF 30 EXPERIENCED, DEDICATED PROFESSIONALS

Benefits and Successes of the Strategic Partnership

BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study D: Mobilize and Execute the peaksaver PLUS Initiative

CHALLENGE

Collus PowerStream had limited time and resources to effectively mobilize and execute the peaksaver PLUS program. Collus PowerStream knows that this can jeopardize it from achieving its required demand reduction targets set by the OEB.

SOLUTION

Work with PowerStream to support the peaksaver PLUS initiative by leveraging PowerStream's existing third-party service contract without the need for an exhaustive tendering process, utilize Elizabeth to orchestrate and manage the complete project and "piggy-back" on PowerStream's customized, OPA-approved marketing materials. As a comparable, PowerStream's mandatory CDM conservation targets is to achieve approximately 96MW of peak demand savings and 407 GWh of energy savings over the 2011 – 2014 period. Hence, PowerStream invested approximately $18 million of the OPA funds, to promote and deliver the full suite of the provincial 'saveONenergy' conservation programs. In 2012, more than 6,200 customers enrolled in the peaksaver PLUS program.

A detailed Action Plan chart, illustrated below, was assembled by Collus and PowerStream to define tasks and responsibilities in order to achieve its forecasted goal of engaging 100 participants in Q4.

Element	PowerStream	Collus PowerStream
Hire third-party service provider	• Develop and execute a contract between Collus PowerStream and service provider to deliver program contract with current peaksaver PLUS service provider to ***include Collus service territory*** • Select and aggregator and inform OPA	Review contract and provide comments
Manage third-party service provider	• Oversee service provider's daily operation • Review weekly/monthly reports • Meet service provider regularly	Pay service provider
Marketing / Outreach	• Promote peaksaver PLUS to all eligible participants via mass marketing, direct marketing, print ads, and/or community events • Hire and pay marketing firm, if necessary	• Support community events • Review and approve marketing materials
Customer Care	• Assist potential participants in understanding peaksaver PLUS	• Forward customer inquiries to PowerStream and/or service provider
Reporting / Settlement with OPA /OEB	• Create pre-billing report and submit invoices for completed installations via OPA's CRM • Develop OEB annual report, OPA's PAB report and OPA's QA/QC report	• Review and submit OEB annual report, PAB report and QA/QC report

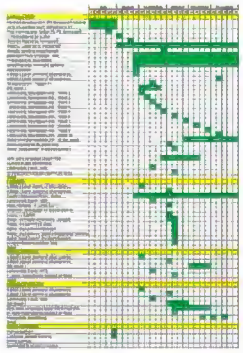
Benefits and Successes of the Strategic Partnership

BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study D: Mobilize and Execute the peaksaver PLUS Initiative, continued

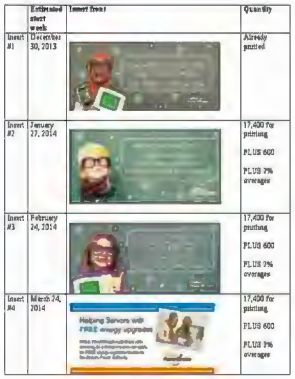
BENEFITS AND SUCCESSES

Collus PowerStream was able to be "fast tracked into the program" by leveraging PowerStream's existing third-party contract which only required the PowerStream contract to be amended to include the Collus PowerStream service territory. Such simplicity and effectiveness, provided am expedited solution that reduced the amount of time and dollars spent to get the program launched and achieve a 160% improvement over its baseline forecast of 100 participants by the end of 2013. It is estimated that PowerStream spent approximately $150,000 or so, which went into account management; creative development; copy writing and imagery that Collus was able to immediately leverage and benefit from accordingly.

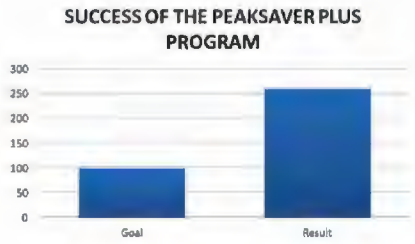


Effective day-to-day program management spearheaded by Elizabeth provided a consistent, focused approach to reaping the benefits of the peaksaver PLUS initiative leveraging the people in the PowerStream CDM group.

Collus PowerStream was able to leverage the existing contract between PowerStream and Honeywell so that time and dollars were not needed to tender a best-in-class service provider.



The provincial peaksaver PLUS program had ready-made templates for LDCs to utilize as part of their local campaigns. Instead, PowerStream planned, developed and executed their own customized peaksaver PLUS marketing materials including focus groups, sample tests and procuring OPA approvals. Collus was able to leverage and "piggy back" on all the PowerStream marketing materials by simply changing the corporate logos.



Prior to PowerStream's support, the peaksaver PLUS initiative had its challenges to maximize impact in the market. By leveraging the people, capabilities and existing contracts of PowerStream, Collus was able to achieve a 160% increase in its 2013 Q4 goals.

Benefits and Successes of the Strategic Partnership

BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study E: Regulatory Support to File the 2013 Cost of Services Application and the IRM Application

CHALLENGE

Collus PowerStream had applied to the OEB to have its rates rebased in 2013. During the time of assembling the Cost of Services application in 2012, Collus PowerStream experienced management changeover and a new CFO was appointed. Considering that there was no longer any management continuity in preparing the Cost of Services application to date, Collus PowerStream needed support to finalize the application efficiently and properly.

SOLUTION

Collus PowerStream approached PowerStream in late 2012 for regulatory support services in need for its 2013 Cost of Services application process on a time and material basis.

BENEFITS AND SUCCESSES

PowerStream provided various services to Collus PowerStream including the invaluable assistance of PowerStream's Rate & Applications department, in order to complete the 2013 Cost of Services application and subsequent filing for the Board's Incentive Regulation Mechanism (IRM). Specifically,

2013 Cost of Service Application

- Develop EDR Model
- Cost allocation model support
- Develop depreciation schedule
- Develop fixed asset schedule
- Prepare, review and modify filing evidence as required
- Prepare and review Interrogatory responses
- Support technical conference
- Support settlement conference

IRM Application

- IRM model update and testing
- Review deferral variance accounts
- Update retail transmission service rate model
- ITM filing preparation support

The PowerStream time and resources used to facilitate the successful completion of the 2013 Cost of Services Application and the IRM Application was billed to Collus PowerStream at a surprisingly low amount of $37,000. Based on management's estimates, typical billings for the project completed by PowerStream would be approximately $150,000, which was an incredible cost saving, as well as knowing that the deliverables were properly completed by the well-established team of regulatory professionals at PowerStream.

"In response to the changing electricity industry, increasing regulatory demands and the political environment, our company made a proactive step to ensure, shape, and control our own future by partnering and becoming Collus PowerStream. We now have a stronger foundation from which to achieve higher levels of customer service, productivity, and efficiency."

Cindy Shuttleworth, Collus PowerStream, Chief Financial Officer

Benefits and Successes of the Strategic Partnership

BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study F: Human Resource Process and Policy Support

CHALLENGE

Limited resources being able to be focused on providing a comprehensive package of policies and procedures for the Collus PowerStream work force.

SOLUTION

Collus PowerStream approached PowerStream in 2013 to request a comprehensive library of human resource policies, forms and procedures to ensure a complete set that can be leveraged for most circumstances encountered by Collus PowerStream to support its employees.

BENEFITS AND SUCCESSES

PowerStream provided to Collus PowerStream a library of human resource policies, forms and procedures. Otherwise, Collus PowerStream would have needed to spend significant dollars to either acquire or hire a consultant to provide the equivalent. A sample of policies provided by PowerStream include:

"I am very pleased with the professionalism, commitment and quality of information that PowerStream provides us. The partnership has ensured that Collus PowerStream's team of dedicated, highly skilled, and passionate employees will be able to continue to provide excellent service to its customers. PowerStream provides us with a wealth of knowledge that we can draw upon as we continue to grow and face business opportunities and challenges."

Pam Hogg, Collus PowerStream, Executive Assistant to the President & CEO, Manager, Human Resources and Board Secretary

- CORPORATE LONG DISTANCE POLICY
- CORPORATE PAID WIRELESS SERVICES POLICY
- CUSTOMER PRIVACY POLICY
- AFTER HOURS AND PERSONAL USE OF VEHICLES
- POLICY AND PROCEDURES DEFINITION
- GOLF POLICY
- SUMMER CASUAL DRESS CODE
- ANNUAL FITNESS HEALTHY LIVING MEMBERSHIP
- RECOGNITION OF SIGNIFICANT EVENTS
- ABSENCES
- OVERTIME POLICY
- CONTINUOUS LEARNING
- WORKPLACE HARASSMENT
- CONSUMER SECURITY DEPOSIT
- PRIORITY OF LOAD POLICY
- EMPLOYEE BUSINESS EXPENSES
- APPROVAL POLICY
- VACATION AND RECOGNIZED HOLIDAYS POLICY
- HOURS OF WORK
- JOB EVALUATION POLICY
- REFERENCE CHECKS
- EMPLOYMENT OF RELATIVES
- PERFORMANCE MANAGEMENT
- PROGRESSIVE DISPLINIE POLICY FOR UNIONIZED EMPLOYEES
- MEDIA RELATIONS POLICY
- IT SECURITY POLICY
- ELECTRONIC MAIL MANAGEMENT & ACCEPTABLE USE
- EXECUTIVE DEVELOPMENT PROGRAM
- SMOKING POLICY
- PROCUREMENT POLICY
- RECORDS RETENTION POLICY
- BEREAVEMENT AND ILLNESS POLICY
- DIVERSITY POLICY
- MILEAGE ALLOWANCE
- CYBER SECURITY POLICY AND OPERATIONS
- HEALTHY WORKPLACE POLICY
- CONTINUOUS IMPROVEMENT AND INNOVATION
- WORKPLACE VIOLENCE
- SOCIAL MEDIA POLICY
- GPS POLICY
- PETTY CASH POLICY
- SUSPENSION OF DRIVERS LICENCE
- BUSINESS CONTINUITY PLAN
- BANKING SERVICES POLICY
- CASH MANAGEMENT POLICY INVESTING
- CLOUD COMPUTING POLICY

Benefits and Successes of the Strategic Partnership

COLLINGWOOD

Collus PowerStream

Power Stream

BENEFIT 3: COMPLEMENTARY GEOGRAPHIC COVERAGE AND POTENTIAL FUTURE DIVERSITY

As the Distribution Sector Review Panel report observes, "[a] number of utilities serve a patchwork of widely separated areas with non-contiguous boundaries. They include for example, Veridian Connections, Erie Thames Powerlines, and Entegrus Powerlines. In most cases the intervening territory between these non-contiguous areas is served by Hydro One Networks. ... At the same time, a number of municipalities have multiple distributors serving residents within their municipal boundaries, ... such as Thornton, a village near Lake Simcoe with 1,000 inhabitants, where the service areas of three separate LDCs converge, namely Hydro One Networks, PowerStream and Innisfil Hydro."

"Speaking at the Distribution Sector Review Panel's presentation to the Ontario Energy Network January 15, Murray Elston said that it was clear from the earliest stages, in discussions with stakeholders, that the model the stakeholders themselves, including the Electricity Distributors Association, had in mind involved contiguous areas. The panel became convinced that cutting down on the number of border areas between the territories of LDCs serving major urban areas, and eliminating spaces between such territories, will remove duplication and result in savings." [1]

In the Collus PowerStream and PowerStream strategic partnership, albeit not strictly contiguous in its service areas, there is indeed overlap within the Central Ontario region of electricity distribution. The geographic coverage provides further opportunity to partner with other LDCs within Central Ontario to work together to ascertain if there are reasonable, complementary collaboration models to benefit from the common use of control facilities, equipment yards, substations and maintenance crew routes. The collaboration can take many forms with the objectives to create sustainable efficiencies in its field operations, asset utilization, maintenance and replacement and leveraging smart grid technologies all in the effort to provide reliable service to the customer base within a capital efficient model.

Map from IESO

[1] Distribution Under Debate Proposals for LDC Reform raise Hopes and Hackles, APPrO, Stephen Kishewitsch and Jake Brooks, February 2013

Benefits and Successes of the Strategic Partnership

BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

Once the strategic partnership transaction was finalized and the dust settled, it was very clear that there was a considerable, positive momentum that began to sweep throughout the Collus PowerStream operations. Traditionally, most corporate business combinations are characterized by chaos, fear, uncertainty, distraction and limitation. This was not the case for Collus PowerStream. A Forbes 500 study asked CEOs why merger synergies are not achieved and the first in their list of "failure factors" was "incompatible cultures," and three of the top six factors were all related to culture—and by derivative—were all related to creating a sustainable foundation to support the people of the organization.[1]

In order to capture the perspective of the people as it pertains to the benefits and successes of the strategic partnership, we conducted an internal employee survey to measure the responses to key questions from a "pre-partnership" and "post-partnership" point of view. The leadership team at Collus PowerStream could see in the day-to-day operations of the business that there was a new, positive energy in the workplace environment post-transaction but did not have any empirical evidence to substantiate the claim or challenge the bias that perhaps the management team had towards the employee sentiment of the strategic partnership transaction. The anonymous survey was now going to be the tool to extract quantitative results to truly understand the impact that the strategic partnership had on the employees of Collus PowerStream.

The survey was constructed to focus on 10 key questions that would provide comprehensive insight to many facets of the employees' day-to-day operations as well as their overall thoughts on the strategic partnership transaction. The survey was distributed to all 28 dedicated employees across all departments using a third-party survey software which ensured that the responses were posted anonymously so that the employees would be able to posts results freely and candidly.

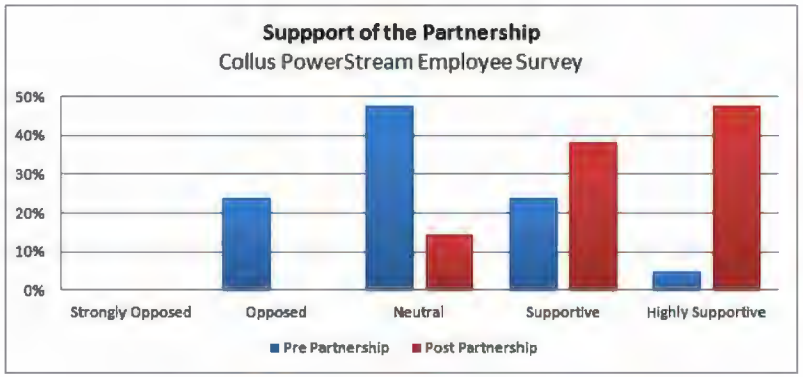
> ***"Credit must be given to the former Collus Power Board and specifically our Chairman, the late Dean Muncaster, for pushing the Board and Senior Management to look out beyond routine thinking and to find a business model that enhances value to our customer and to our Shareholder while protecting the interests of all our employees. The measurable successes we have had after our first eighteen months prove that we are on the right track."***
>
> ***Ed Houghton, President & CEO Collus PowerStream***

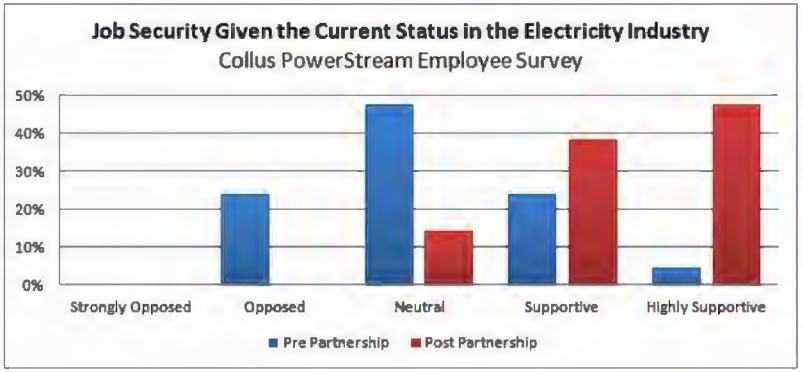
[1] *Successful Post-Merger Integration: Realizing the Synergies*; Nils Bohlin, Eliot Daley and Sue Thomson

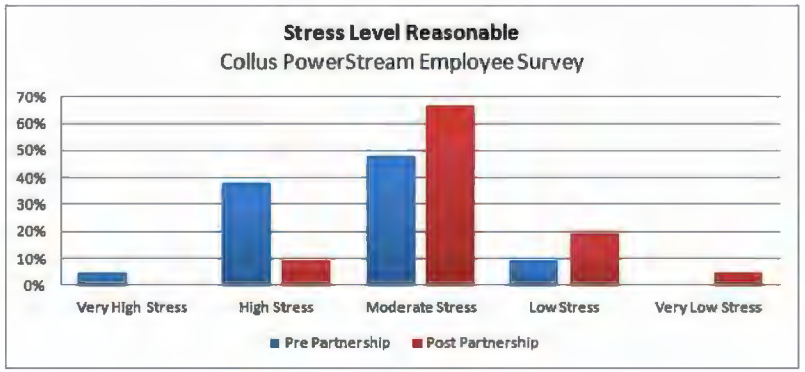
Benefits and Successes of the Strategic Partnership

BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

SURVEY RESULTS



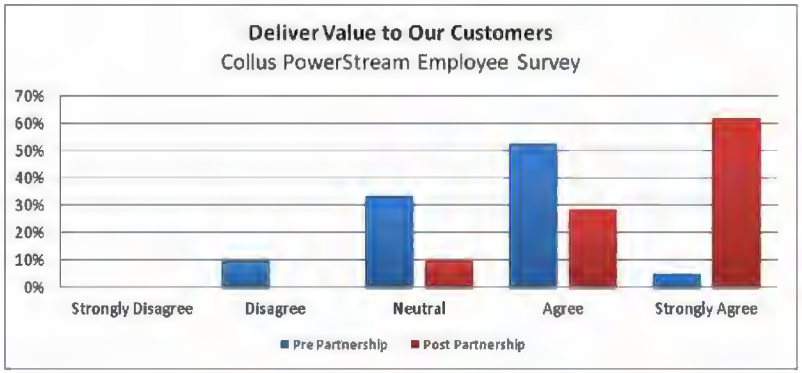


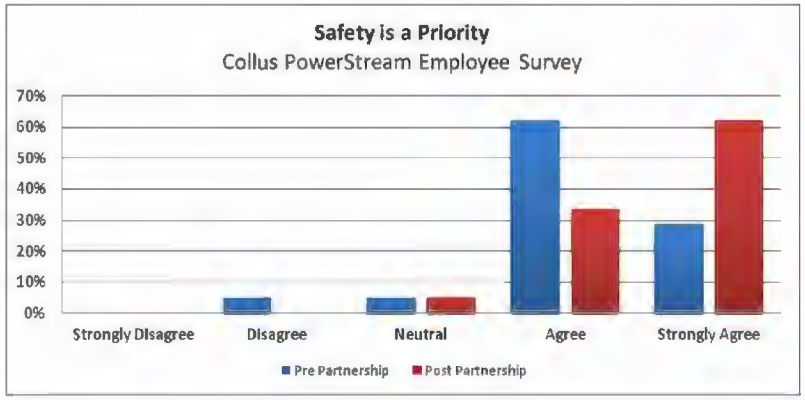


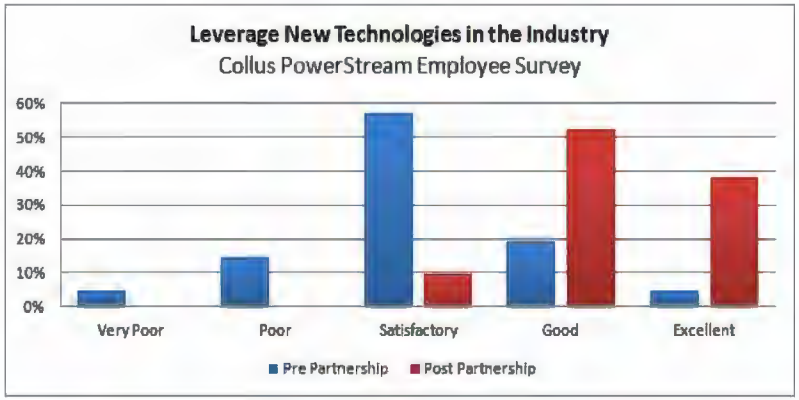
Benefits and Successes of the Strategic Partnership

BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

SURVEY RESULTS



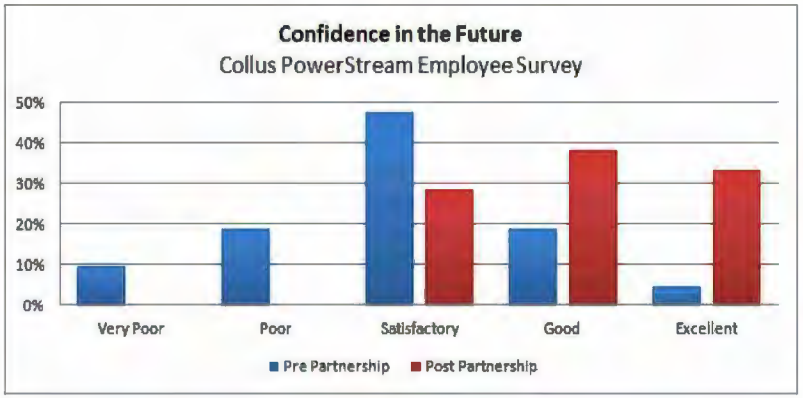


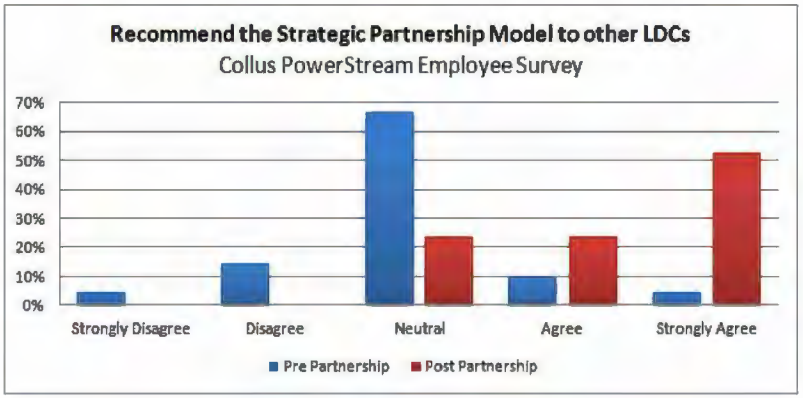


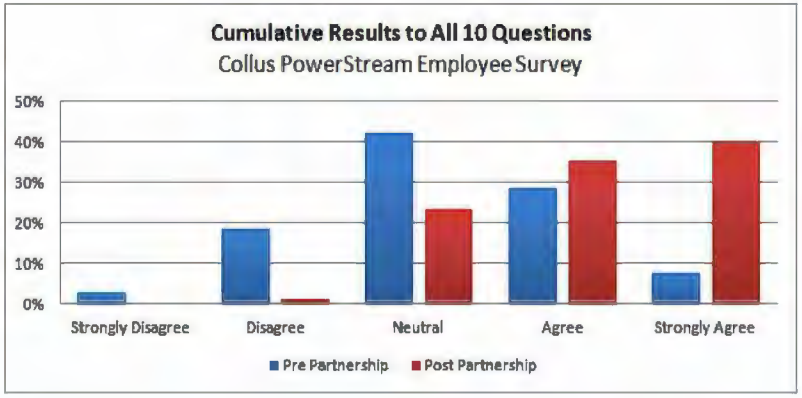
Benefits and Successes of the Strategic Partnership

BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

SURVEY RESULTS







The results clearly demonstrated that the people of Collus PowerStream considered that the strategic partnership truly shifted their actions, behaviours and sentiments from a relatively satisfactory position pre-partnership to definitive agreement that the partnership increased value to the customer, provided more effective and efficient resources to do their day-to-day tasks, increased job security, provided leading-edge technologies and has increased the employees' overall confidence in the future.

Benefits and Successes of the Strategic Partnership

BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

CASE STUDY G: COLLUS POWERSTREAM TO LEVERAGE POWERSTREAM'S LEADING FOCUS ON EMPLOYEE ENGAGEMENT AND SATISFACTION

POWERSTREAM EARNS RECOGNITION FOR ITS EMPLOYEE ENGAGEMENT

Named "Achievers 50 Most Engaged Workplaces™ in Canada" for second consecutive year

PowerStream was named today as one of the *Achievers 50 Most Engaged Workplaces in Canada*" for 2013, marking the second consecutive year the company has earned this honour. The award recognizes top employers that display leadership and innovation in engaging their workplaces.

A panel of judges selected PowerStream for the award through an evaluation process in which applicants were considered based on Achievers' Eight Elements of Employee Engagement™. These Eight Elements include: leadership, communication, culture, rewards and recognition, professional and personal growth, accountability and performance, vision and values, and corporate social responsibility.

The electric utility which serves customers in communities located immediately north of Toronto and in Central Ontario, will be honored alongside other recipients of the Achievers 50 Most Engaged Workplaces™ Award at an awards gala to be held on March 6, 2014 at the Hilton in Toronto, Ontario.

POWERSTREAM NAMED ONE OF GTA'S TOP EMPLOYERS FOR 3RD CONSECUTIVE YEAR

Energy company recognized for its outstanding employee engagement and satisfaction

For the third consecutive year, PowerStream has been named one of *Greater Toronto's Top Employers,* and once again has joined several other organizations located within the Greater Toronto Area recognized for their performance and outstanding initiatives that support employee engagement and satisfaction.

PowerStream, a community-owned energy company, is committed to the ongoing development of its employees and offers a variety of in-house training courses and apprenticeship opportunities, as well as subsidies for tuition and professional accreditations.

The company also has in place several other programs that benefit employees including vanpool/carpool commuting, wellness initiatives, fitness club membership reimbursement, a subsidized onsite cafeteria, flexible work hours, extensive health benefits as well as a unique "Power Perks" discount purchase program of goods and services offered by local businesses.

Benefits and Successes of the Strategic Partnership

BENEFIT 5: VALUE TO OUR CUSTOMERS

As with all strategic business combinations, there needs to be a strong awareness that the transaction needs to ensure that the baseline value provided to customers is not impacted negatively. This was the case with Collus PowerStream as well. "Putting the Customer First" was how the Distribution Sector Review Panel positioned its report to comment on the challenges to restructure the Ontario electricity distribution market. Meeting customers' demands to turn these challenges into opportunities requires the transformation of the traditional electric utility business model. Delivering safe and reliable electricity will always form the cornerstone of what we do, but the modern utility must expand its vision and adapt to changing circumstances in order for our employees to provide energy sustainably for customers, communities and shareholders.

To illustrate the impact of the strategic partnership to the Collus PowerStream customer we will investigate:

Case Study H	-	Customer satisfaction results from a UtilityPulse Customer Satisfaction Survey comparing 2010 versus 2014 results thus illustrating pre and post Strategic Partnership impact, and
Case Study I	-	Examples of real life scenarios whereby PowerStream is also focusing key initiatives to create customer value.

The energy industry, like most others, will continue to experience an evolution in customer expectations, from information on demand to high degrees of control and engagement to the ability to create collaborative and personalized interaction channels with energy service providers. Experts increasingly mention customer involvement and the conversion of end use load into an energy resource as one of the most transformative changes the industry will undergo. The capability and complexity of loads, including smart appliances, energy management systems, plug-in electric vehicles and distributed energy resources, are creating the opportunity to engage customers as active energy partners rather than passive ratepayers. The expectation is that new energy products will emerge, including service bundles, customized service levels and retail energy exchanges.[1]

[1] *Black & Veatch*

Benefits and Successes of the Strategic Partnership

BENEFIT 5: VALUE TO OUR CUSTOMERS

CASE STUDY H: COLLUS POWERSTREAM MAINTAINS A SOLID TRACK RECORD OF CUSTOMER SATISFACTION

In 2010, Collus engaged UtilityPulse to conduct an Electric Utility Customer Satisfaction Survey to understand Collus' positioning with its customer base. Consistent with PowerStreams's constant focus on engaging customers to provide solutions to their needs, the team at Collus has always had a dedication to their customers. With the execution of the strategic partnership, this has not changed. In fact, the shared vision of promoting the customer in everything that gets done has only been strengthened post-transaction. In the UtilityPulse 2014 updated Customer Satisfaction Survey, Collus PowerStream still maintains a solid track record of customer satisfaction confirming its dedication and commitment to the customer.

2010

COLLUS Power's UtilityPULSE Report Card®

Part 2: Performance

	CATEGORY	COLLUS	ONTARIO
1	**Customer Care**	A	B+
	Price and Value	B	C+
	Customer Service	A	B+
2	**Company Image**	A	A
	Company Leadership	A	A
	Corporate Stewardship	A	B+
3	**Management Operations**	A	A
	Operational Effectiveness	A	A
	Power Quality and Reliability	A	A
	OVERALL	A	B+

* Weightings are based on pulse figures shown in Part 1 of the UtilityPULSE Report Card®

A+ Exceptional
A Excellent
B+ Very Good
B Quite Good

Anything less than a B requires immediate attention.

2014

Collus PowerStream's UtilityPULSE Report Card®

Performance

	CATEGORY	Collus PowerStream	National	Ontario
1	**Customer Care**	B+	B+	B
	Price and Value	B	B	C+
	Customer Service	A	B+	B
2	**Company Image**	A	B+	B+
	Company Leadership	A	B+	B+
	Corporate Stewardship	A	A	B+
3	**Management Operations**	A	A	A
	Operational Effectiveness	A	A	B+
	Power Quality and Reliability	A+	A	A
	OVERALL	A	B+	B+

Base: Total respondents

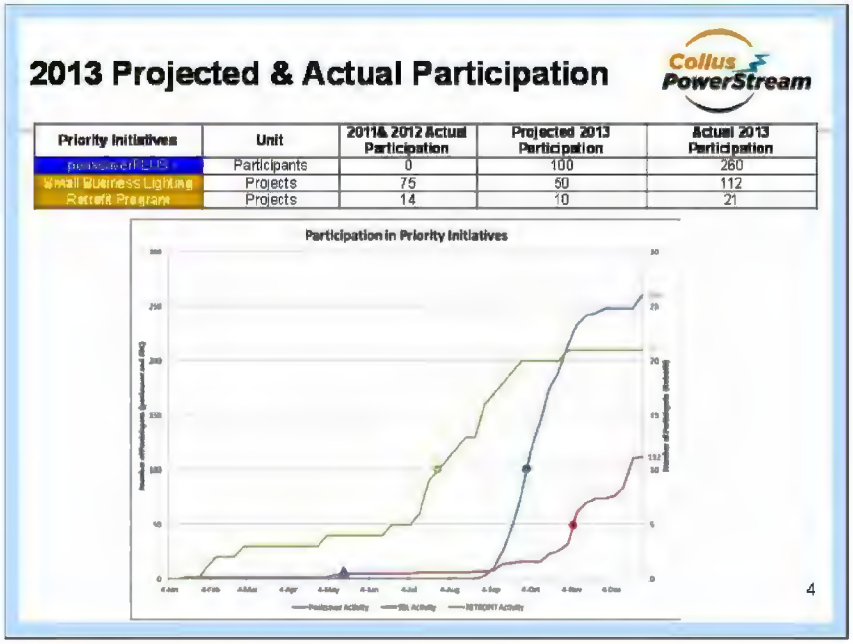
As evidenced by the UtilityPulse Report Card results from 2010 and 2014, Collus PowerStream consistently maintains its customer satisfaction and exceeds the performance of its Ontario and National peer groups.

Benefits and Successes of the Strategic Partnership

BENEFIT 5: VALUE TO OUR CUSTOMERS

CASE STUDY I: COLLUS POWERSTREAM ENGAGES CUSTOMERS TO PARTICIPATE IN CDM PROGRAMS

To demonstrate Collus PowerStream's continued commitment to the customer, the results that have been realized in delivering their most recent CD&M programs identifies that the relationship with the customer continues to grow and build. The graphical results depicted below provides a compelling, successful case study from the where the company's CD&M programs laboured prior to the PowerStream transaction juxtaposed against the results achieved post transaction.



Priority Initiatives	Unit	2011& 2012 Actual Participation	Projected 2013 Participation	Actual 2013 Participation
[illegible]	Participants	0	100	260
Small Business Lighting	Projects	75	50	112
Retrofit Program	Projects	14	10	21

Benefits and Successes of the Strategic Partnership

BENEFIT 5: VALUE TO OUR CUSTOMERS

CASE STUDY J: COLLUS POWERSTREAM TO LEVERAGE POWERSTREAM'S LEADING FOCUS ON EMPLOYEE ENGAGEMENT AND SATISFACTION

As Collus PowerStream continues to focus on the needs of our customers, we will always have to adapt and leverage the commitment and success that PowerStream has built into its business philosophy that ensures that all strategies, objectives and tasks revolve around the customer and that everything that gets done is viewed from the lens of the customer.

DO I USE LESS ELECTRICITY THAN MY NEIGHBOURS?

New feature on PowerStream online account portal helps customers answer this question

PowerStream has recently introduced several new energy management tools and updated features to *"My Account Info,"* its secure, online customer account portal, including one which will allow customers to compare their electricity use to others.

Since there would be privacy implications with any direct account comparisons, PowerStream has implemented a "social benchmarking" tool which enables customers to compare their own usage to the average consumption of an aggregate of similar account type customers within their neighbourhood. In other words, through the use of the *"Compare My Usage to My Area"* feature, PowerStream customers can see how their electricity bills stack up against a combination of similar customer accounts within their neighbourhood.

The use of social benchmarking to help promote conservation is a relatively new concept with studies in the United States and British Columbia showing that people respond positively to conservation initiatives once they know how they rank compared to others. PowerStream is one of the first utilities in Ontario to offer this feature to its customers.

Other enhancements and upgrades to PowerStream's *"My Account Info"* online customer account portal include improvements to the overall layout and registration process, and the addition of new features to help demonstrate electricity usage and patterns. Customers can now see their consumption depicted in a number of ways including enhanced bar graphs and pie charts. Electricity usage history is now also displayed in chart and table formats on the same page. The pie charts display Time-of-Use (TOU) consumption by period and by percentage, giving customers a clearer understanding of when they consume their electricity. To date over 65,000 PowerStream customers have enrolled in *"My Account Info."*

POWERSTREAM EARNS INDUSTRY AWARD FOR PUBLIC RELATIONS

Electricity Distributors Association recognizes utility for its 'Follow the Smart Grid to Win' campaign

PowerStream, an electricity industry leader in the implementation of smart grid technologies, has been recognized by the EDA for demonstrating excellence in public relations as a result of the utility's successful 2012 "Follow the Grid to Win" campaign. PowerStream was presented with the EDA's "Communications/Public Relations Excellence Award – Public Relations Category" at the organization's Annual Gala Dinner held Monday evening at the Fairmont Royal York Hotel. The award is presented by the EDA each year to an Ontario utility whose initiative had successfully raised the profile of a utility-specific program. In October and November 2012, PowerStream's "Follow the Smart Grid to Win" initiative helped to increase customer awareness of Smart Grid and its benefits, as well as the "following" of the company's social media properties, in particular PowerStream's Twitter page. Results from the campaign included:

- 1.822 million impressions about Smart Grid through advertisements on CTV Barrie
- 219,207 impressions about Smart Grid through online advertisements on the websites of Metroland newspapers in York Region and Simcoe County
- 694,165 impressions about Smart Grid through tweets and re-tweets on Twitter
- 160 % increase in the number of Followers of @PowerStreamNews on Twitter (from 289 to 750).

"PowerStream is committed to ensuring our customers are fully aware of what we provide and how we can help, so it's both fitting and thrilling that our smart grid campaign has been recognized as industry-leading," said Frank Scarpitti, PowerStream Board Chair and Mayor of the City of Markham. "The public response to our campaign was fantastic. I thank our team for their impressive work in connecting and helping consumers in all our channels, including social media."

Benefits and Successes of the Strategic Partnership

BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES[1]

Over the last 50 years, many of the core technologies used in the power sector for the delivery of electricity remained relatively unchanged. Even now, many of the assets in service would be recognizable to the utility engineers from the 1960s. However, over time utilities have applied technology strategically to increase reliability and reduce cost. In recent years, advancements in information technology, communications and electronics have been applied to electric power systems which will enable fundamental changes in the way the grid is configured and operated.

Over the next several years, the electric utility industry will deploy advanced sensors, communications infrastructure and control systems that will enable changes in the way electricity is produced, delivered and used. Advancements such as Advanced Metering Infrastructure (AMI), Meter Data Management Systems (MDMS), Outage Management Systems (OMS), Distribution Management Systems (DMS), Enterprise Asset Management (EAM), mobile communications, the explosion of the Internet of Things smart devices such as the Nest thermostat and the integration of distributed generation, including renewable energy and energy storage are changing the utility at breathtaking speed.

And active involvement of customers and LDCs' understanding of consumer electricity demand as a controllable energy resource will be seen as a very transformative change to the modern utility. Enabling demand management/response by providing customers with enhanced information about energy use – and giving them the means to control it – are key for the future.

Smart metering and AMI technology are only part of the solution. Utilities and regulators should develop effective pricing programs to ensure that customers are given the signals they need to make good decisions about their energy consumption. High customer participation rates in these programs are also important. Also important is the fact that effective technologies and pricing programs can have a significant, positive impact on peak demand, allowing utilities and grid operators to reduce the amount of peaking and reserve capacity needed to maintain grid reliability.

"Innovation is anything but business as usual."

Anonymous
Included in the PowerStream 2012 Annual Report

[1] *Black & Veatch*

Benefits and Successes of the Strategic Partnership

BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

CASE STUDY K: SMART GRID OPERATIONS TECHNOLOGY—MICRO GRID[1]

Challenge:

Large-scale electricity distribution systems whose generation sources are far-removed from customers are becoming a thing of the past. A new breed of electricity distribution system, built around the concepts of flexibility, scalability and sustainability, is emerging. The technology required to build these next-generation electricity distribution systems has existed for years, but it has never been used to bring electricity production closer to the end-user.

Solution:

PowerStream believes that Micro Grids will be an integrated part of our energy future: Not only will they change the way electricity is transmitted, they represent an innovative solution to the challenge of asset renewal in large-scale electricity distribution systems and demonstrate that renewable energy can effectively help to address the growing demand for electricity.

With the implementation of an integrated Micro Grid demonstration project at its head office in Vaughan, Ontario, PowerStream will be one of the first utilities of its size in North America to initiate a proof-of-concept trial, evaluating the Micro Grid's performance while it is connected to, and also disconnected from, the normal electricity distribution system.

PowerStream will be implementing its new Micro Grid in two phases, over a two-year period. In phase one, the company will draw electricity from an array of assets – solar panels, a wind turbine, a natural-gas generator, sodium-metal batteries, lead acid batteries and lithium batteries – in order to provide electricity for loads such as lighting, air conditioning and refrigeration at its head office location. Electricity generated from this combination of clean and renewable sources will also be used to power the company's electric vehicle charging stations (which energize the company's fleet of electric vehicles) and to maintain a steady charge in the Micro Grid's storage batteries.

The overarching goals of the Micro Grid project are to understand how to achieve safe, stable and reliable service. Phase one will focus on the Micro Grid's functionality once it is disconnected from the normal electricity distribution system, run independently from that system and then reconnected to it. In phase two, PowerStream plans to include other electricity sources, such as combined heat and power, fuel cells and electric vehicle-to-grid (V2G) technologies as additional sources of generation. The goal here is to demonstrate the Micro Grid's ability to dispatch power back to the normal electricity distribution system (demand response) and to operate securely and reliably.

[1] John Mulrooney, Director, Smart Grid Technologies at PowerStream Inc

Benefits and Successes of the Strategic Partnership

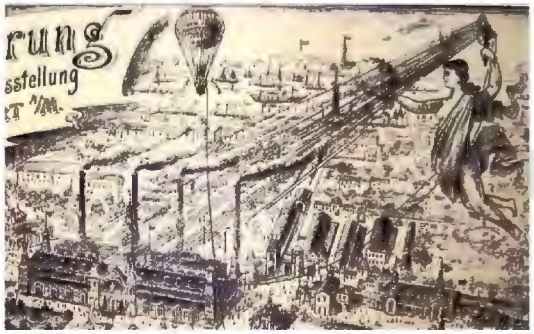
BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

In summary, when incorporating new, advanced technologies, LDCs should:

- Leverage the operational efficiencies provided by technology to reduce operational costs;
- Prioritize technology investments that seek to maximize benefits from energy efficiency, energy delivery and clean energy technologies;
- Simplify the interconnection and integration of distributed renewable energy resources;
- Provide customers with information and energy management technologies that are aligned with effective pricing programs; and
- Build out the energy distribution system by pursuing a long-term capital improvement program premised on delivering enhanced value to consumers.

Injecting massive amounts of renewable energy, particularly intermittent solar and wind, onto the nation's electric grid in an efficient and reliable manner will be a significant challenge. And energy storage is a key component of such a strategy. While storage comes in many forms, historically, most energy storage has been in the form of pumped hydropower. Increasingly there is consideration of compressed air, flywheels and a plethora of battery technologies, configurations and chemistries. Policymakers, such as FERC, in the United States are establishing rules that would reward the speed and accuracy of new storage technologies. See Case Study K regarding PowerStream and Nissan Canada's Electric Vehicle-to-Home (V2H) Power Supply as examples of a viable energy storage solution.

1800s



A maiden providing electricity from a distance. International Electrical Exhibition—Frankfurt 1891

1900s

Collingwood's 1952 sub-station housing—six 667-KVA transformers were erected on St. Marie Street

2000s

Benefits and Successes of the Strategic Partnership

BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

CASE STUDY L: SMART GRID OPERATIONS TECHNOLOGY—MICRO GRID

A customized energy management software program, developed for PowerStream by GE Digital Energy, will route electricity from the company's existing generation to power the building's various electrical loads during phase one of the trial. Micro Grids work in the same way as large-scale electricity distribution systems, but instead of delivering electricity to hundreds of thousands of customers at a time, they are scalable, servicing targeted geographic areas, remote locations or communities with more diverse supply needs. In addition to being customized, Micro Grids rely on a mix of clean and renewable sources of generation, located within close proximity to the electricity distribution system and able to connect to it at multiple points. Because they are modular and secure, Micro Grids can operate independently from the normal electricity distribution system, as well as being able to store electricity from that system and feed it back in as required.

Benefits and Successes:

Safe and reliable electricity. The ideal Micro Grid delivers power safely and reliably to a specific area or community, ensuring that delivery can be sustained.

Customer choice. Micro Grids allow end users the flexibility to tap into different types of generation as a way of meeting their specific energy needs. They also provide a conduit for feeding excess electricity back into the normal electricity distribution system and participating in programs that help to reduce the strain on these systems.

Sustainability. A common feature of Micro Grids is the ability to seamlessly utilize various sources of electricity. Ideally, an area or community with its own Micro Grid will strive to achieve net-zero electricity usage, using only as much electricity as it generates. Because they can operate independently, Micro Grids can also feed power back into the normal electricity distribution system in demand response situations.

Collus PowerStream Impact:

Ability to leverage the Micro Grid technology for its own residential and commercial customers. Provide leading edge technology solutions to increase value to the customer.

Provides Collus PowerStream customers with options to meet their specific, individual needs. Part of the process of further engaging the customer.

Begin becoming a producer of energy and not just a distributor of power generation. Ability to become a bilateral utility with power inflows and outflows to the Smart Grid.

Benefits and Successes of the Strategic Partnership

BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

CASE STUDY M ELECTRIC VEHICLE-TO-HOME (V2H) POWER SUPPLY

Most homeowners don't have an alternate source of power to draw upon during a power outage, but what if they did?

PowerStream, and its project partner, Nissan Canada, demonstrated innovative electric vehicle-to-home (V2H) technology at the 2012 Georgian College Auto Show by showcasing how a fully-charged lithium-ion battery inside a Nissan LEAF® electric car can provide a typical Canadian household with enough power for a full day.

The demonstration showed how a power control system, connected to the main breaker panel in a customer's home, allows for the home's electricity supply source to be switched from the power grid to the car's battery. From there, power is delivered directly to the home's electrical system, enabling homeowners to operate essential appliances such as an air conditioner, stove, refrigerator, washing machine and dryer, for approximately a full day.

Turning a car battery into a back-up generator also gives homeowners some flexibility when it comes to managing their costs by taking advantage of Ontario's time-of-use electricity rates. In the future, with this technology, homeowners will be able to charge their electric car at night, when rates are low, and use that power during the day when rates are higher, thereby saving money.

Benefits and Successes of the Strategic Partnership

BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

CASE STUDY N: SMART GRID TECHNOLOGIES: RESTORING POWER SOONER JUST GOT FASTER[1]

Challenge:

Power outages can result in large sections of the electricity distribution system being affected – even though the problem may be isolated to just one small section. It takes time to identify the source, and as repair work takes place, customers want to get on with their daily activities.

Solution:

PowerStream has installed a new triage tool on a major part of its distribution system – one of the few distribution companies in North America to participate in such an initiative. Designed to pinpoint the source of the outage automatically and restore power sooner, here's how it works:

- When an outage occurs, the 'automatic isolation and restoration' tool kicks in to isolate the section of the grid that is affected due to external conditions beyond our control, such as storms and car accidents.
- Before the device gets to work fixing the failure, it automatically sends a message to nearby power lines telling them to start routing electricity to customers in the section of the grid that is not part of the problem.
- Based on information compiled to date, PowerStream estimates that with this new technology, power could be restored in minutes.

Benefits and Successes:

Reliable Power. No one can predict them, but when power outages do happen, everyone wants their power restored as quickly as possible. Automatic isolation and restoration technology cuts down on the time that customers are inconvenienced when an outage occurs.

Value for Money. PowerStream estimates that when the new technology is completely installed, it will significantly increase system reliability of electricity to our customers. What's more, this technology significantly reduces the search time — and cost — to determine the location of equipment failures, allowing PowerStream to make repairs and restore power more quickly than in the past.

Collus PowerStream Impact:

Power outages impact the customer probably more than any other circumstance. By being able to leverage PowerStream's triage restoration technology, Collus PowerStream will be able to service and cut down on the time that customers are inconvenienced.

The PowerStream triage restoration technology will further increase the reliability of Collus PowerStream's grid. Independently, Collus PowerStream does not have the technology or financial resources to implement such a program without leveraging PowerStream's scale.

[1] John Mulrooney, Director, Smart Grid Technologies at PowerStream Inc.

Benefits and Successes of the Strategic Partnership

BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES[1]

CASE STUDY O: POWERSTREAM NAMED SOLAR INDUSTRY 'DEVELOPER OF THE YEAR'

In 2012, PowerStream Solar, a stand-alone business unit at PowerStream dedicated to the development and construction of renewable energy generation projects across Ontario, found innovative ways of adding new solar generation systems to its portfolio.

In addition to its usual mode of operation of leasing under-utilized rooftops on buildings that are owned by businesses, institutions and local governments in order to install, operate and maintain solar generation systems, in 2012, PowerStream Solar acquired projects from several other Ontario solar generation developers to own even more systems across the province. This included systems in areas such as Barrie, Markham, Windsor, Tecumseh, Scugog and Stone Mills. New systems enabled PowerStream Solar to further broaden its business that has helped to establish a steady revenue stream through solar generation for PowerStream, as well as participating building owners, over a 20-year period. Furthermore, generating energy from renewable sources is consistent with PowerStream's mission of being a sustainable and environmentally-responsible company.

PowerStream Facility in Barrie

The strategy's success facilitated PowerStream Solar signing agreements that secured a total of 27 systems in 2012. This, combined with 19 projects that have the capacity to generate a total of 4.4 MW of power achieving commercial operation in 2012, contributed to PowerStream being named 'Solar Developer of the Year' by the Canadian Solar Industries Association. PowerStream Solar's ongoing work with landlords, developers, contractors, consultants and government organizations during the acquisition, development, design and construction phases of solar generation facilities has resulted in the company owning solar generation facilities on 36 rooftops across the province with an installed capacity of 5.4 MW, generating enough electricity to power over 770 homes. A further 75 projects (roughly 17 MW) are in various stages of development.

PowerStream's strong depth, experience and innovation in solar projects will empower Collus PowerStream to be able to initiate similar projects within its service territory of Collingwood, Stayner, Creemore and Thornbury to add new generation systems to its own distribution assets. Collus PowerStream will be able to leverage all the technologies, contracts and marketing materials that PowerStream Solar has developed and refined over the years.

[1] PowerStream 2012 Annual Report

Benefits and Successes of the Strategic Partnership

BENEFIT 7: CASH PROCEEDS FROM THE SALE OF SHARES AND DIVIDEND RECAPITALIZATION

KPMG LLP was retained by Collus to provide a calculation of the fair market value of all the common shares of Collus Power Corp as at December 31, 2010 based on the available audited financial statements as well as other internal and market information. The valuation was used as a basis to discuss and negotiate terms and conditions for the Town to sell 50% of the Collus common shares to PowerStream. In addition to the cash consideration to be paid by the acquirer of the 50% of common shares, what was unique regarding PowerStream's proposal was that PowerStream agreed to allow the Town to receive a dividend from Collus without the purchase price valuation to be impacted with the reduction in rate base post dividend. In all the other proposals received, any dividend re-capitalization paid to the Town would include in the purchase price valuation as a reduction in the rate base.

Transaction Date	Utility Target	Initiated By	Transaction Type	Enterprise Value / Book
May-00	Uxbridge	Veridan	100% Acquisition	1.69
Jun-00	Carleton Place	Hydro One	100% Acquisition	1.32
Apr-01	Thorold	Hydro One	100% Acquisition	1.60
Apr-01	Owen Sound	Hydro One	100% Acquisition	1.26
May-01	Lindsay	Hydro One	100% Acquisition	1.60
May-01	Quinte West	Hydro One	100% Acquisition	1.38
May-01	Port Hope	Veridan	100% Acquisition	1.35
Jul-01	Brampton	Hydro One	100% Acquisition	1.29
Aug-01	Caledon	Hydro One	100% Acquisition	1.25
Dec-01	Richmond Hil	Markham/Vaughan	100% Acquisition	1.33
May-02	Cornwall Electric	Fortis	100% Acquisition	1.25
Sep-05	Gravenhurst	Veridian	100% Acquisition	1.56
Sep-05	Aurora	PowerStream	100% Acquisition	1.29
Sep-05	West Nipissing	Sudbury	100% Acquisition	1.28
Jan-09	ELK Energy	Town of Essex	100% Acquisition	1.36
Aug-09	Great Lakes Power	Fortis	100% Acquisition	1.26
Jul-12	Collus Power	PowerStream	50% Strategic Partnership	1.56
	Average			1.39

The proceeds paid to the Town of Collingwood were then decided upon by Council regarding how to spend the new cash injection into the Town based on the ability to monetize 50% of the value of their local electricity utility.

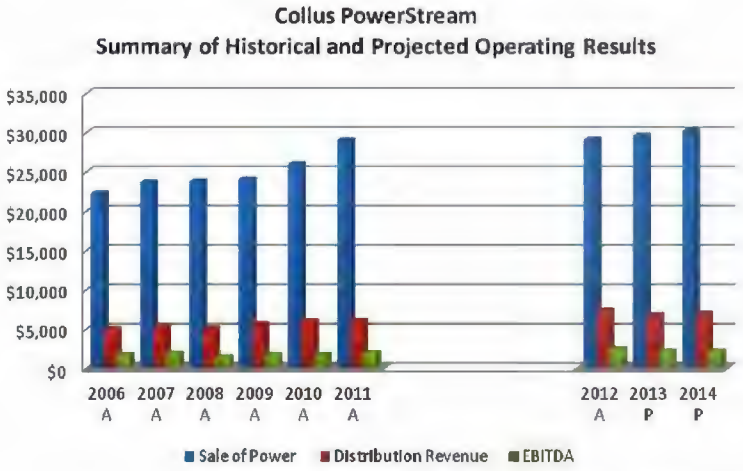
Benefits and Successes of the Strategic Partnership

BENEFIT 8: INCREASED FINANCIAL AND OPERATIONAL STABILITY

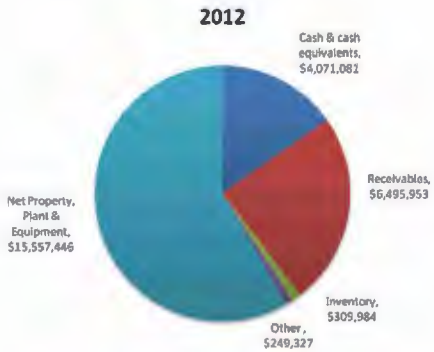
With any business combination there is implementation risk, which addresses concerns that actual results from the combination will not realize what was originally envisioned or planned. A unique attribute with the Collus PowerStream and PowerStream strategic partnership is that the transaction is a 50/50 partnership deal whereby neither shareholder has control of the operations, the governance, the assets or strategic direction of the utility. This is not the case if a municipality were to sell 100% of their utility. Specifically,

- Service to customers remains unchanged
- Management decision making is still in Collingwood
- Revenues continue to be consistent with its customer base
- EBITDA is rising
- Investment in the rate base has continued
- Liquidity still remains strong
- Debt to equity ratios still in line with OEB's 60/40 thresholds
- Employees still maintain their existing contracts without terms and conditions

Since July 2012, Collus PowerStream has been able to focus on delivering value to its customers and security to its employees knowing that it has the ability to leverage the operational and financial power of its partner, PowerStream.



Post Strategic Partnership



Benefits and Successes of the Strategic Partnership

BENEFIT 8: INCREASED FINANCIAL AND OPERATIONAL STABILITY

By having PowerStream as a 50% owner, Collus PowerStream has effectively partnered with a LDC that employs over 550 people, has the financial strength that earned stable and consistent cash flows of $28 million in net income in 2012, and a strong balance sheet with over $345 million in shareholders' equity.

PowerStream's ability to leverage its balance sheet to access the capital markets has also provided further security for Collus PowerStream knowing that its partner has such diversity in its ability to source investment capital. For instance, PowerStream successfully executed a $200 million bond issue due July 30, 2042 with an "A" credit rating from DBRS and S&P. In the future, Collus PowerStream might be able to rely on PowerStream's credit rating as it works with PowerStream to find innovative financial solutions to continue providing reliable, consistent and safe power to its customers.

PowerStream's capacity to spend more than $105 million in critical infrastructure improvements in 2012, with a focus on growth, system reliability, smart grid technologies and customer care allowed it to once again achieve an outstanding Index of Reliability (IOR) score of 99.99% in delivering electricity to our customers. This score was among the best in Canada in 2012 in comparison to other electric utilities.

BALANCE SHEET
AS OF DECEMBER 31, 2012 [1]

	COLLUS PowerStream	PowerStream
Current assets	11,126,344	197,679,401
Net Property, plant equipment	15,557,446	869,792,151
Inter-company investments	-	8,242,678
Other non-current assets	100	54,760,495
TOTAL ASSETS	**$ 26,683,890**	**$ 1,130,474,725**
Current liabilities	7,822,472	166,173,114
Long-term debt	10,117,802	250,099,142
Inter-company long-term debt & advances	-	182,429,859
Regulatory liabilities (net)	759,014	50,319,085
Other deferred amounts & customer deposits	615,759	115,947,293
Employee future benefits	336,468	18,048,314
Deferred taxes	-	1,730,217
Total Liabilities	19,651,516	784,747,024
Shareholders' Equity	7,032,374	345,727,701
LIABILITIES & SHAREHOLDERS' EQUITY	**$ 26,683,890**	**$ 1,130,474,725**

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012 [1]

	COLLUS PowerStream	PowerStream
Power and Distribution Revenue	$ 36,399,554	$ 967,957,634
Cost of Power and Related Costs	29,120,278	799,482,967
Net Distribution Revenue	7,279,276	168,474,668
Other Income	44,434	576,905
Expenses		
Operating	360,674	21,936,069
Maintenance	1,739,338	7,981,705
Administrative	2,743,294	53,287,467
Depreciation and Amortization	1,739,853	33,195,062
Financing	434,367	23,882,437
	7,017,525	140,282,740
Net Income Before Taxes	**306,184**	**28,768,833**

[1] OEB 2012 Yearbook

Benefits and Successes of the Strategic Partnership

BENEFIT 8: INCREASED FINANCIAL AND OPERATIONAL STABILITY, CONTINUED

CASE STUDY P: COLLUS POWERSTREAM TO DECLARE 2013 DIVIDENDS TO SHAREHOLDERS

Continuing its track record of realizing benefits from the strategic partnership with PowerStream, Collus PowerStream earned its highest annual net income in 2013. As a consequence, Collus PowerStream will be able to issue a material cash dividend payment to the Town of Collingwood and PowerStream which it has previously not been able to do in recent history, not including the strategic partnership dividend recapitalization.

The expected total dividend payment to shareholders is $367,000. Hence, 50% or $183,500 will be paid to the Town of Collingwood and will be allocated by Council to provide further funding to continue valued programs to the people of the city. And, PowerStream will also receive its 50% portion or $183,500.

Benefits and Successes of the Strategic Partnership

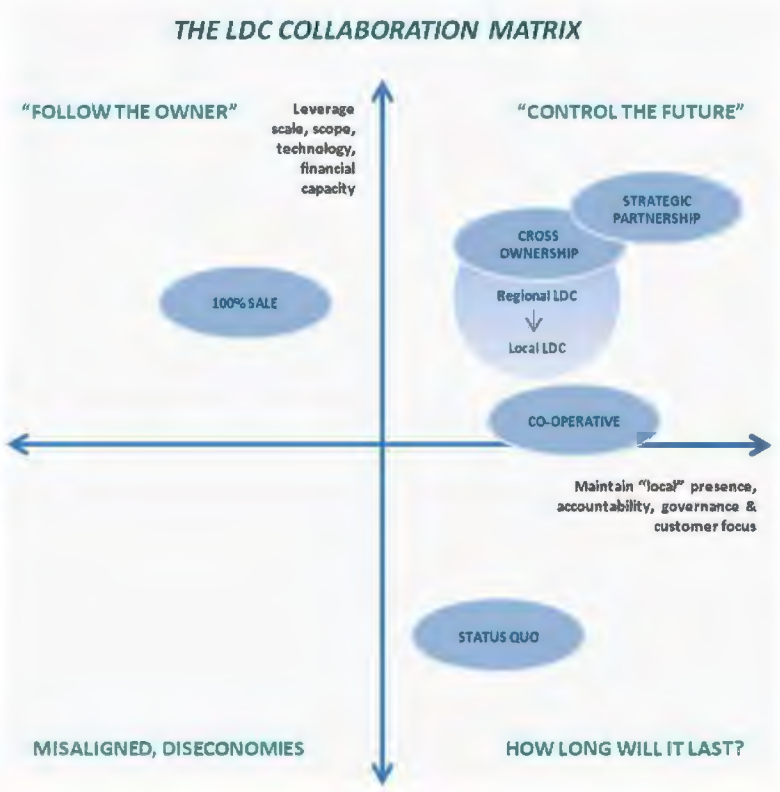
BENEFIT 9: LEVERAGING THE COLLUS POWERSTREAM STRATEGIC PARTNERSHIP AS A VIABLE OPTION IN ONTARIO'S LDC MARKET

A VIABLE OPTION TO BE CONSIDERED

As the Ministry of Energy and the OEB continue to review, contemplate and debate the next steps as it pertains to achieving cost savings within the electricity distribution market, each LDC will need to determine which options to prepare for LDC 2.0 are best suited for their customers, their community, their employees and their shareholders. The options have to be reviewed and challenged and it is encouraged that the Collus PowerStream unique strategic partnership be a viable option that can be adopted by other LDCs in the industry.

BENEFITS REALIZED FROM THE STRATEGIC PARTNERSHIP

1. *Complimentary Vision, Mission and Values.*
2. *Platform to Leverage Scale.*
3. *Complementary Geographic Coverage and Potential Future Diversity.*
4. *Employee Engagement and Combined Expertise.*
5. *Value to Our Customers.*
6. *Leverage Key Advancements in Future Technologies.*
7. *Cash Proceeds from Sale of Shares and Dividend Recapitalization.*
8. *Increased Financial and Operational Stability.*
9. *Leveraging the Collus PowerStream Strategic Partnership in Ontario's LDC Market.*

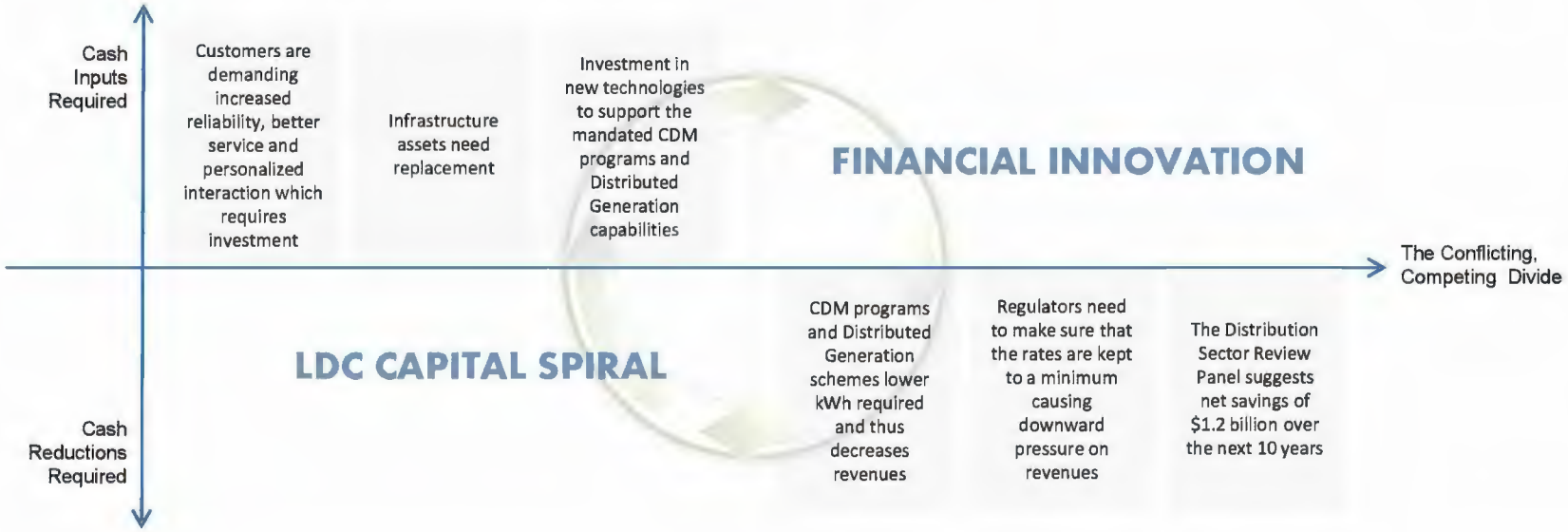


Benefits and Successes of the Strategic Partnership

BENEFIT 9: LEVERAGING THE COLLUS POWERSTREAM STRATEGIC PARTNERSHIP AS A VIABLE OPTION IN ONTARIO'S LDC MARKET

OPPORTUNITIES FOR FINANCIAL INNOVATION

The number of conflicting and competing demands placed on today's LDCs' financial resources could impact the stability of the power system, since many of the stakeholders involved require either cash to be injected into the system in terms of capital and innovation or cash to be removed from the system in terms of savings and power reduction. We call this the LDC Capital Spiral. New, innovative financial solutions will need to be created and executed to satisfy the conflicting capital demands now exposed by current challenges faced by today's LDCs.



In the current environment, it will become more and more pressing for the all the stakeholders in the industry to create innovative, complete financial solutions to solve the LDC Capital Spiral. Changes in the regulatory and policy framework, shifts in ownership structures, bespoke debt and equity programs, risk transfer schemes to the capital markets seeking balanced consistent cash flows and updates to the Income Tax Code will all have to be examined, challenged, debated, formed and implemented to ensure the continued operations of delivering reliable, consistent and safe energy to our more demanding, engaged customers.

Appendix A

LIST OF PAPER, DOCUMENTS, PRESENTATIONS REVIEWED

- OEB Yearbooks 2011, 2012
- Collus Power Presentation to the Ontario Distribution Sector Review Panel – Success Through Partnership—July 10, 2012
- KPMG Calculation of Value prepared for Collus Power—May 20, 2011
- The Power to Deliver, Options for the future of electricity distribution in Ontario, EDA
- Renewing Ontario's Electricity Distribution Sector, Putting the Customer First, Ontario Distribution Sector Review Panel – December 2012
- Mergers By Choice, Not Edict: Reforming Ontario's Electricity Distribution Policy
- 12th Annual Electric Utility Customer Satisfaction Survey, Data Tables Collus Power June 2010
- 15th Annual Electric Utility Customer Satisfaction Survey – CHEC June 2013
- Collus Power MADD Application
- Collus PowerStream Group of Companies Financial Statements 2011, 2012
- Collus Power Board Presentation, Strategy Session January 2013
- 2013 Collus PowerStream Strategic Plan Update
- DBRS Rating Companies in the North American Energy Utilities, 2011
- Hydro One Offer Summary to Purchase Haldimand County, December 2013
- Collus PowerStream Shareholders Agreement, Article 2: Guiding Principles and Objectives
- Collus Power Request for Proposal – Strategic Partnership October 4, 2011
- Collingwood Utility Services, 2010 Annual report and 2011 – 2013 Business Plan
- Review of Asset Management Practices in the Ontario Electricity Distribution Sector, KPMG
- PowerStream 2012 Annual Report
- Comparison of Ontario Electricity Distributors Costs, Peer Groups per PEG Report, 2012
- Collus PowerStream Asset Management Plan, December 2012
- E&Y Power Transactions and Trends 2012
- Fortis Investors Presentation December 2013
- Collus PowerStream, PowerStream SLA Update, presented to Collus PowerStream BofD, Colin Macdonald, VP, Rates & Regulatory Affairs September 2013
- Strategic Partnership Update to Council & Public Information Session #2, January 23, 2012
- Collus PowerStream Employee Organization Chart 2013, Updated Companies
- Collus PowerStream Capital Budget 2014
- CPC AMP 5 Year Budget 2013 with OEB Accepted Reductions
- CPC and PS IFRS Review of IFRS
- CPC Budget Current & 5 year Actual
- Collus PowerStream Corp. (License ED-2002-0518) 2013 Electricity Distribution Rates Application
- CPC and PowerStream Master Shared Services Agreement
- Collus Power Corp and Collus Solutions Corp Services Agreement
- CHEC: Opportunities in the Electrical Sector, April 2013 Mr. Eamer to Ministry of Energy
- Hydro One Networks Application to Purchase Norfolk Power – Responses to Interrogatory Questions

Appendix B

CONSERVATION AND DEMAND MANAGEMENT JOB DESCRIPTION

Reporting to the Director of CDM, this position is responsible for managing and coordinating the delivery of Provincial Conservation and Demand Management (CDM) Programs within the Collus PowerStream service territory. The CDM Manager will coordinate with PowerStream's CDM Program Managers to leverage and apply PowerStream's existing delivery strategies/tactics/processes within the Collus PowerStream area.

Program Management

Manage the implementation of OPA-Contracted Province -Wide CDM Programs (Residential, Commercial/Institutional, Industrial and Home Assistance) within Collus PowerStream's service territory, including where required: vendor management, channel management, marketing execution, sales/outreach, program administration, customer care, and quality assurance/quality control.

Coordinate with PowerStream's CDM Program Managers to leverage and apply PowerStream's delivery strategies/tactics/processes within the Collus PowerStream area. For example, the marketing creative deployed in Collus PowerStream will be consistent with that developed for PowerStream.

Manage third party vendors under contract by Collus PowerStream for the delivery (in whole or in part) of CDM initiatives including, but not limited to: Small Business Lighting, Home Assistance Program, and Electricity Retrofit Incentive Initiative.

Establish relationships with local suppliers, associations and channel partners, as appropriate, to enhance the delivery of Collus PowerStream's CDM programs.

Promotion & Outreach

Answer general customer inquiries (phone, email) about Collus PowerStream's CDM programs

Coordinate the planning and execution of internal/external events for promoting Collus PowerStream's CDM programs, including workshops, trade shows and training sessions.

Support content development and production of CDM Program education/training materials

Support delivery of education/training materials at internal/external events

Program Administration

Assist customers with application processes for CDM programs. This required assistance will vary by program/initiative but may include:

o Screening and approving applications (submitted via OPA's online application system or via paper submissions) and working with customers to correct any errors

o Working with existing third-party delivery agents

Support Quality Assurance/Quality Control processes, including:

o Providing administration/logistical support for on-site visits (appointment scheduling, developing itineraries, etc).

o Conducting simple on-site visits to third-party service providers and/or program participants to ensure that programs are being implemented in accordance with program rules while providing a positive customer experience

Maintain good working relationships with internal support groups (Customer Service, Corporate Communications, Accounting etc.) and external parties (Municipalities, OPA, vendors etc) involved in the delivery of Collus PowerStream's CDM Programs

Oversee and coordinate reporting and financial transactions, such as the Pre-Billing Reports and annual spending report, between the OPA and Collus PowerStream.

Coordinate financial processes including: setting up purchase orders, tracking and processing invoices, and tracking overall spending against each vendor contract.

Monitoring & Reporting

Actively monitor and manage CDM program delivery, ensuring contractual compliance with OPA Master Agreement and Schedules.

Prepare and present monthly reports to senior PowerStream CDM staff on program performance, including: energy and demand savings, participation levels and operational issues/opportunities. Leverage PowerStream's existing reporting processes, templates and tools in the preparation of these reports.

Prepare Collus PowerStream's annual CDM report to the Ontario Energy Board.

Prepare and present, if required, quarterly CDM progress report for Collus PowerStream's Board of Directors.