

Collus Power Corp

Request for Proposal
Strategic Partnership
October 4, 2011

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1. Purpose of the Request

- This request for proposal is being issued by Collus Power Corp and the Town of Collingwood for the purpose of soliciting written proposals to enter into a strategic partnership arrangement. For purposes of this request, some of the key needs from a strategic partner include the following:
 - Purchase of an ownership interest in Collus Power
 - Provision of strategic and specialized resources to Collus Power while continuing to effectively engage the Collus Power and affiliate employees
 - Support in growing the Collus Power business, both organically and through acquisition
 - Continued and enhanced support for the interests of the Town of Collingwood
 - Continued focus on maintaining and enhancing the competitive distribution rate structure of Collus Power

2. Background

- Collus Power is the exclusively licensed electricity distribution company that services the businesses and residences with the Town of Collingwood and the neighboring communities of Thornbury, Stayner and Creemore. Collus Power was incorporated in 2000 in response to Ontario Government legislation to restructure the electricity industry in Ontario.
- The Company acquired the electricity distribution assets of Thornbury, Stayner and Creemore in July 2001.
- Collingwood, Thornbury, Stayner and Creemore have a combined population of approximately 27,000 full time residents (plus a large number of seasonal residents).
- The common shares of Collus Power are wholly-owned by Collingwood Utility Services Corp, a holding company that is a wholly-owned subsidiary of the Town of Collingwood.
- Collus Power has a mix of approximately 15,300 customers residential, industrial, commercial and institutional customers. The Company has no large use customers and 128 general use customers. Growth prospects for Collus Power are quite strong in the near term due to ongoing residential and commercial development.

2. Background (Continued)

- Collus Power has made significant investments in the past in order to maintain its distribution system in a good state of repair. Several of the system's features include the following:
 - The electrical system consists of __kilometers of overhead wires and __kilometers of underground wires.
 - Meters meet the requirements of the Electricity and Gas Inspection Act and over the last few years the company has installed new smart meters at all customer sites and is ready for the changeover to time-of-use electricity billing.
 - The company leases its head office premises located at 43 Stewart Road in Collingwood, Ontario. The building houses the Company's administrative, engineering, operating and field personnel and rolling stock.
 - The company owns various distribution and transformer station equipment as well as other equipment and vehicles

2. Background (continued)

- The employee base consists of 11 employees. In addition to its direct employees, the company subcontracts various personnel services from Collus Solutions Corp, an affiliated company, whose employees and costs are allocated approximately 60%/40% between Collus Power and Collingwood Public Utilities Services Board/the Town respectively. Collingwood Public Utilities Services Board/the Town provide water and wastewater utility services to the residents of Collingwood. The cost of the subcontracted employees is not subject to any mark-up.
- The customer base is comprised of approximately 13,600 residential , 1,600 general service less than 50kW and 128 general service 50kW to 4,999 kW. The company distributed approximately 313 million Kwh of power in calendar 2010.

3. Proposal Scope and Response

- All prospective strategic partners are asked to address the following, at a minimum, in their non-binding proposals.
- 3.1 Purchase of an Ownership Interest (Primary)
 - The proposed purchase price for 50% of the shares of Collus Power, including the firm and variable components of the purchase price.
 - Terms of payment, including the form of consideration if other than cash.
 - Any proposed timing considerations.
 - Pre-closing conditions (i.e. due diligence, etc.).
 - Proposed representation on the company's board of directors
 - Other considerations including any proposed capital structure and shareholders' agreement matters.
- 3.2 Purchase of an Ownership Interest (Secondary)
 - If there is an interest in acquiring more than a 50% interest in Collus Power, please provide the same details as outlined in 3.1 as a separate option.

3. Proposal Scope and Response (Continued)

- 3.3 Provision of Strategic and Specialized Resources
 - Outline the ability to provide Collus Power with resources in a range of areas including engineering, construction, call center, regulatory and rates, safety and others. Provide details on the approach to providing such resources including the general financial and working arrangements.
 - In the context of the preceding, provide details about the approach to managing effective ongoing arrangements with the current Collus Power employee group and Collus Solutions Corp employee group. Include details about working with existing unions and financial arrangements.

- 3.4 Support in Growing the Collus Power Business
 - Outline the approach you would bring as a partner to supporting organic business growth in the Collus Power service area.
 - Outline the approach you would bring as a partner to supporting acquisition and merger growth in the Collus Power geographic area.

3. Proposal Scope and Response (Continued)

- 3.5 Supporting the Interests of the Town of Collingwood
 - Detail your intentions as a strategic partner in how you would continue and enhance support for the interests in the Town of Collingwood. Considerations would include local presence, economic development, interaction with the Town’s other operations, etc.

- 3.6 Competitive Distribution Rate Structure of Collus Power
 - Outline the approach you would bring as a strategic partner in maintaining and enhancing the competitive distribution rate structure of Collus Power while the company continues to realize desired rates of return.

- 3.7 Other
 - Include other matters that you would bring to Collus Power as a strategic partner.

3. Proposal Scope and Response (continued)

- 3.8 Proposal Response and Contact
 - Proposal responses should be submitted in two parts, with each part in separate sealed envelopes. One envelope should contain the the Purchase of an Ownership Interest portion of the response described in section 3.1 and 3.2 and the other envelope should include the remaining parts of the proposal response.
 - Proposal responses should be sent to the attention of Mr. Dean Muncaster, Chairman Collus Power, 43 Stewart Road, Collingwood, Ontario, L9Y 3Z5, by no later than 5:00 pm on November 16th, 2011. Submissions should include __ hard copies and one electronic copy , including one copy marked as the original and signed by an authorized representative of the proponent. Proposals submitted after the closing date and time, regardless of the medium by which they were submitted, will not be accepted.
 - All inquiries regarding this request for proposal should be directed to Mr. Ed Houghton. Phone – 705 445 1800 Email – ehoughton@collus.com
- 3.9 Anticipated Process
 - Proposals will be reviewed and evaluated by the Collus Board and the Town of Collingwood with the goal of completing the selection process by the middle of December 2011.

4. Proposal Evaluation

- Proposals will be evaluated using the following weighting:
 - Purchase of an ownership interest —
 - Provision of Strategic and specialized resources —
 - Support in Growing the Collus Power Business —
 - Supporting the Interests of the Town of Collingwood —
 - Competitive Distribution Rate Structure of Collus Power —
 - Other —
- 100

5. Data Availability

- Proponents will need access to various data in order to prepare their proposal submission. Collus Power will have the following data available at _____ from October __ through _____ by appointment. Appointments can be arranged through _____ via phone _____ or email _____. To the extent additional data is required and not noted below please advise Mr. Ed Houghton prior to making your appointment.
 - 2010 audited financial statements of Collus Power and its affiliates
 - 2011 interim financial statements of Collus Power and its affiliates
 - 2011 forecast of Collus Power
 - 2012 budget information for Collus Power (including capital expenditure)
 - 2010 and 2011 Kwh volumes
 - Historical summary of customer information by Kwh
 - Annual statistics and customer information

5. Data Availability (continued)

- 2010 Rate schedule and most recent approved OEB rate submissions
- Corporate structure and operating arrangement description between affiliates
- Map of the Collus Power service area and forecast of potential residential and business growth in the service area
- Summary of capital assets including rolling stock
- Summary of employees and their arrangements for Collus Power and Collus Solutions Corp

6. Terms and Conditions

- The request for proposal will be governed by the following terms and conditions:
- 6.1 Confidential Information
 - Proponents will continue to be governed by the “Non-disclosure Agreements” recently signed and shall not disclose any details pertaining to their proposal, this request for proposal or the selection process in whole or in part to anyone not specifically involved in their proposal without Collus Power’s prior written approval. Proponents shall not issue a news release or other public announcement or at any time directly or indirectly communicate with the media pertaining to details of their proposal, this request for proposals or the selection process without Collus Power’s prior written approval.
- 6.2 Communication of Information
 - It is the proponent’s responsibility to ensure that it has all necessary information concerning the intent and requirements of this request for proposal and to clarify any details in question mentioned or not before submitting a proposal. Collus Power shall not be responsible for any misunderstanding on the part of the Proponent concerning this request for proposal and/or its process.

6. Terms and Conditions (continued)

- 6.2 Communication of Information (continued)
 - No verbal instructions or information will be binding on Collus Power. All written instructions and specifications will be considered clear and complete unless written attention is called to any apparent discrepancies or incompleteness before submission of a proposal. No individual other than those designated as a contact in this request for proposal is authorized to comment on any portion of the request for proposal.
 - Collus Power is under no obligation to provide additional information but may do so at its sole discretion. Inquiries received less than two days prior to the closing date and time may not be answered. At Collus Power's discretion, the substance of any inquiries for additional information and responses to these inquiries may or may not be communicated to all recipients of this request for proposal.
- 6.3 Proposal Validity Period
 - Proposals and their details shall remain in effect and open for acceptance by Collus Power for a period of 60 days after the closing date.

6. Terms and Conditions (continued)

- 6.4 Collus Power May Seek Clarification and Incorporate Response into Proposal
 - Collus Power may, in its sole discretion, choose to meet with some or all of the Proponents to discuss aspects of their Proposal. Collus Power may require one or more Proponents to submit supplementary information clarifying any matters contained in their Proposal after the Closing Date and the supplementary documentation received from a Proponent shall, if accepted by Collus Power, be considered to form part of that Proponent's Proposal. In the event that Collus Power receives information at any stage of the evaluation process which results in earlier information provided by the Proponent being deemed by Collus Power to be inaccurate, incomplete or misleading, Collus Power reserves the right to revisit the Proponent's compliance with the mandatory requirements of this RFP and/or adjust the scoring of rated criteria.

6. Terms and Conditions (continued)

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

6. Terms and Conditions

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

6. Terms and Conditions

- 6.7 Acceptance
 - The submission of a proposal by a proponent in response to this request for proposal shall constitute the said proponent's agreement to the terms and conditions described in this request for proposal.
- 6.8 Errors, Omissions and Independent Advice
 - Collus Power does not accept any responsibility for any verbal information or advice or any errors or omissions which may be contained in this request for proposal or any documentation disclosed or otherwise provided by or with this request for proposal. Neither Collus Power nor any of its affiliates, directors, officers, employees or agents makes any representations or warranties, either express or implied, with respect to the completeness or accuracy of this request for proposal and supporting documentation or any information or opinion contained herein. Any use or reliance on this request for proposal or on any information or opinion contained herein or documentation disclosed or otherwise provided by or with this request for proposal is at the risk of the Proponents, and neither Collus Power nor any of its affiliates, directors, officers, employees or agents shall be liable for any action, cost, loss, damage, injury and/or liability whatsoever incurred by any person arising out of same. The Proponents are responsible for obtaining their own independent legal, accounting and other advice with respect to this request for proposal, any information included in this request for proposal or in any documentation disclosed or otherwise provided by or with this request for proposal.