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Ed Houghton
Chief Executive Officer
Collus Power
Collingwood, ON
February 24th, 2011

Dear Mr. Houghton:

KPMG is pleased to submit this proposal to Collus Power (“Collus” or “Client”) to help you and your shareholder, the Town of Collingwood, evaluate the strategic options for ownership of your utility. This letter describes the objective of our engagement, the nature of the services that we will provide, and our professional arrangements.

Background:

The Ontario electricity sector underwent a significant period of change and reform in the early part of the last decade. During this period of change, the Town of Collingwood made a strategic decision to retain ownership of its electric distribution utility and to look for opportunities to grow the business through acquisitions and new business ventures. With the passage of time, the Town may now like to reconsider its ownership options and to assess the changes that have occurred in the market since its last business review. A new study will help the Town assess whether any changes in strategic direction or ownership structure would now be appropriate. You have asked KPMG to assist you in this review.

Scope of Work

To support deliberations by Collus and its shareholder, KPMG will provide an objective assessment of the ownership options open to the Town and of their likely financial and business implications.

During our work we will undertake the following tasks:

- We will meet with senior management at Collus to review the current business and financial plans of the utility. During this meeting, we will explore the current financial and operating status of the utility and identify any issues that may impact on the utility’s value to the Town either in a sale transaction or as a stand-alone entity.
- We will prepare an analysis of the potential sale value of Collus. This will not be a formal valuation but rather an indicative view of the potential value of the utility in a sale transaction based on the multiples that have been observed in the marketplace for similar transactions, as well as a review of management’s multi-year projections for Collus. The valuation analysis can be used to assess the financial merits of the various ownership options (i.e.; sell, retain, merger) for the utility.



- We will also prepare a summary of the advantages and disadvantages of various ownership options from the perspective of the Town, of utility ratepayers, and local ratepayers. This summary will take into account both financial and qualitative issues. It will address the implications for a local distribution utility of broader developments in the electricity sector, including the desire for a smart grid and incentives for renewable power generation.
- We will then summarize our findings from the work-steps noted above in a Power-Point style report that will identify the financial implications of alternative options and the strategic issues that may influence the Town's decision on a preferred option going forward.
- We will provide a presentation of our report to relevant stakeholders.

The Engagement Team

John Herhalt, C.A. will be the Partner on this engagement. John is the Global leader of KPMG's Government and Infrastructure Services practice and has a long history of involvement with Ontario's electricity sector. John led KPMG's strategic planning work for Collus during the initial period of restructuring about a decade ago. John has helped a large number of utilities in Ontario with strategic planning processes and assessments of their ownership options.

Jonathan Erling, P.Eng will be the Project Manager for this engagement. Like John, Jonathan was also involved in our earlier work for Collus on ownership options. Jonathan is a Managing Director in KPMG's Power and Utilities practice and has been involved in a wide variety of projects in the electricity generation, transmission, and distribution sectors. In particular, he has worked with utilities and government policy makers on issues related to rate regulation and cost allocation in the energy sector. He has provided expert testimony at the Ontario Energy Board and the Manitoba Public Utilities Board (PUB).

John Rockx, C.A. will provide support to the team on issues related to utility valuation. John is a Chartered Business Valuator (C.B.V.) and has undertaken a large number of valuation assignments in the Ontario electricity distribution sector.

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Fee Estimate

We will undertake this engagement for a fixed fee of \$30,000. This fee estimate assumes that we will make three person-trips to Collingwood. One trip will be required at the beginning of the engagement to meet with senior management at Collus and officials from the Town. Our initial meetings will be assumed to occur on one business day. An allowance of two person-trips is provided at the end of this engagement for the presentation of our report.

The cost of any additional meetings or analysis will be billed in addition at hourly rates. To reflect our long working relationship with Collus and the Town, any such work will be billed at 60% of our standard rates.



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GST and out-of-pocket expenses will be billed in addition to the amounts noted above. This engagement is subject to our Terms and Conditions for Advisor and Tax Engagements, which are attached to this letter.

We would be pleased to discuss changes to our proposed scope of work or business arrangements if our proposal does not match your exact requirements. Please give me or Jonathan Erling a call at 416-777-8778 or 416-777-3206 to discuss any required changes.

In the event that the letter does address your requirements, please confirm your agreement with the foregoing by signing and dating a copy of this letter and returning it to us.

Yours very truly,

John Herhalt
Global Leader, KPMG Government and Infrastructure Services Practice

We acknowledge that we have read the foregoing agreement and agree to be bound by it.

Collus Power

MARCH 11 / 2011

Date