



Collingwood Judicial Inquiry

OPENING STATEMENT

OF ALECTRA UTILITIES CORPORATION (SUCCESSOR TO POWERSTREAM INC.)

Introduction

1. At the time of the events giving rise to this Inquiry, rationalization was occurring within Ontario's electricity industry. Increasing regulatory burden and rapidly evolving technologies were putting strain on the resources of small electrical Local Distribution Companies ("LDCs"). This led to considerable consolidation within the LDC sector. Many smaller LDCs recognized that if they did not take steps to consolidate with other LDCs, the provincial government might take steps to force them to do so, bringing with it a loss of municipal control.
2. In 2011 and 2012, Collingwood's electrical utility, COLLUS Power Corp. ("COLLUS Power"), a subsidiary of COLLUS Utilities Services Corporation ("COLLUS") was seeking a strategic partner. Due to the geographic location of its rate base, its size and expertise, PowerStream was the obvious best fit as a strategic partner for COLLUS.
3. At the time, PowerStream was the second largest municipally-owned distribution company in Ontario, and was jointly owned by the municipalities of Barrie, Markham and Vaughan. PowerStream's service territory included Aurora, Barrie, Bradford West Gwillimbury, Markham, New Tecumseth, Penetanguishene, Richmond Hill, Thornton and Vaughan. PowerStream had a reputation in Ontario's LDC sector as a leader in achieving synergies through mergers and consolidation.
4. The price that PowerStream ultimately paid for 50% of the COLLUS shares made the strategic partnership transaction an extremely good deal for the Town of Collingwood. In addition to financial value, the Town and its utility reaped many non-financial benefits from its strategic partnership with PowerStream.
5. PowerStream hired Paul Bonwick, who was the brother of the Mayor of Collingwood, as a consultant to work on the company's expansion plan for Simcoe County, including on its bid to acquire the COLLUS shares. Both before and after it hired Mr. Bonwick, PowerStream ensured that full disclosure of Mr. Bonwick's retainer was made to COLLUS, the Town's administration, and the Mayor and Deputy Mayor.

PowerStream learns of potential COLLUS opportunity

6. In November, 2010 Ed Houghton, the CEO of COLLUS Power, reached out to PowerStream CEO Brian Bentz and suggested that they meet. Mr. Houghton and Mr. Bentz knew each other somewhat, through their involvement in the Electricity Distributors Association (the "EDA"). Also, Mr. Bentz had worked at Barrie Hydro for some years, and had gotten to know Mr. Houghton because they were from nearby municipalities.
7. Mr. Houghton and Mr. Bentz met for breakfast on December 3, 2010. At that meeting, Mr. Houghton and Mr. Bentz spoke about the change occurring in the LDC industry, as well as fiscal challenges faced by the Town of Collingwood. Mr. Houghton advised Mr. Bentz that he was exploring options with respect to Collingwood's LDC, including the possibility of an RFP with multiple bidders.
8. Although COLLUS Power was a much smaller utility than many that PowerStream was considering pursuing, Mr. Bentz was interested in COLLUS Power because it was a member of the Cornerstone Hydro Electric Concepts Association (the "CHEC Group"). The CHEC Group was a group of 12 utilities that shared resources, and which PowerStream recognized as having good potential for growth.

PowerStream was the most logical fit for a Strategic Partnership with COLLUS

9. Even before the RFP was issued, it was obvious to anyone in the Ontario LDC industry that PowerStream was the most logical fit for a strategic partnership with COLLUS. This was because:
 - (i) PowerStream's existing rate base was in close geographic proximity to Collingwood, allowing for efficiencies in service delivery;
 - (ii) PowerStream already had a presence in Simcoe County;
 - (iii) PowerStream was large enough to offer assistance with regulatory matters, information services, call centre, Conservation and Demand Management and other specialized services;
 - (iv) PowerStream offered a community-based approach, which would protect local jobs and maintain local access to Collingwood's utility; and
 - (v) PowerStream's rates would be lower than those of Hydro One (which would also be expected to bid for the strategic partnership with COLLUS).

Retainer of Paul Bonwick, and disclosure of the retainer

10. On January 10, 2011, and shortly after Mr. Houghton contacted Mr. Bentz to discuss a potential sale of shares of COLLUS Power, Mr. Bonwick sent Mr. Bentz an email introducing himself, and advising of an opportunity for PowerStream regarding a potential sale of COLLUS:

Over the course of the last few years and more specifically the last few weeks I have followed with interest the situation presently being experienced by Collingwood Council. More specifically their financial situation and the need for a significant capital injection. As I reviewed options that might help Council address this need I remembered that during

the time I spent in elected office the potential sale of Collingwood's Utility Services had been raised with mix emotion. It is a result of that possibility I would like to meet and discuss PowerStream's level of interest in pursuing such an option.

Municipal Council is in the process of beginning their budget considerations and as a result timing is potentially a critical factor. As a result I am requesting an opportunity to meet and discuss the situation should PowerStream have a potential interest.

11. Mr. Bentz had never met and knew nothing of Mr. Bonwick. Mr. Bentz called Mr. Houghton and asked him what he knew about Mr. Bonwick. Mr. Houghton said that he knew and "highly respected" Mr. Bonwick. Mr. Houghton told Mr. Bentz that PowerStream would have to decide whether to hire Mr. Bonwick as a consultant.
12. PowerStream had used consultants to assist on other LDC acquisitions before the COLLUS opportunity. Mr. Bentz believed that Mr. Bonwick might be of assistance on the COLLUS transaction because his knowledge of Collingwood and its Council could help to shed light on whether the Town of Collingwood was likely to agree to proceed with a transaction involving COLLUS.
13. On January 11, 2011, Mr. Bentz responded to Mr. Bonwick's email, inviting him to meet at PowerStream's offices. During that first meeting on January 12, 2011, Mr. Bonwick told Mr. Bentz that the Mayor of Collingwood, Sandra Cooper, was his sister. Mr. Bentz was concerned about a possible conflict because of this relationship. Mr. Bentz made it clear to Mr. Bonwick that if PowerStream were to retain Mr. Bonwick, there would need to be full transparency, and formal disclosure of Mr. Bonwick's retainer by PowerStream to both the Mayor and the Town itself.
14. Mr. Bentz proceeded cautiously concerning the potential retainer of Mr. Bonwick. On January 19, Mr. Bentz met with the Mayors of the Barrie, Markham and Vaughan. These three Mayors sat on PowerStream's Board of Directors, and on its Audit and Finance Committee, as designated representatives of PowerStream's three municipal shareholders. Mr. Bentz sought their advice about retaining Mr. Bonwick.
15. On January 20, Mr. Bonwick provided Mr. Bentz with a proposal for PowerStream's potential engagement of Mr. Bonwick's company, Compenso Communications Inc. ("CCI"). In that proposal, Mr. Bonwick asked for a "success fee" that would be payable on the acquisition of any LDC by PowerStream.
16. From the outset, Mr. Bentz did not agree to have PowerStream pay a success fee to Mr. Bonwick with respect to a transaction with COLLUS. As detailed below, Mr. Bonwick ultimately agreed to this, and no success fee was paid by PowerStream to Mr. Bonwick in connection with the COLLUS transaction.
17. On January 29, 2011, Mr. Bonwick forwarded to Mr. Bentz a January 17 email from Collingwood Town Clerk Sarah Almas, and stated:

Here is the response the Deputy Mayor received from the Clerk's office. The CAO (Kim Wingrove), was copied.

Please review and comment.

If you require more substance please let me know. The Deputy Mayor had informed me that it was a legal opinion. That said, the Clerk is the person responsible for the interpretation of the Municipal Act for Council.

18. The email from Ms. Almas to Deputy Mayor Lloyd stated:

You are correct in that the Municipal of [sic] Conflict Interest Act, clearly identifies that a Member of Council is NOT deemed to be in conflict if it's the interest (direct or indirect) of a sibling.

19. Over the next several months, PowerStream had discussions and meetings with Mr. Bonwick, and an exchange of emails. Mr. Bentz and PowerStream CFO John Glicksman made a presentation to PowerStream's Audit and Finance Committee on March 8, 2011, concerning the potential opportunity regarding COLLUS and the possible hiring of Mr. Bonwick as a consultant, on the condition that there be full disclosure of his relationship with the Mayor.
20. On April 13, 2011, the three PowerStream Mayors and Mr. Bentz met with Mr. Bonwick and told him that they could see merit in PowerStream retaining him, but that they were concerned about a perception of conflict. Shortly after the meeting Mr. Bonwick suggested an in-person meeting between PowerStream and Town representatives to ensure that the Mayor and Town were comfortable with the retainer.
21. Mr. Glicksman became PowerStream's main point of contact with Mr. Bonwick, and was responsible for preparing a written agreement for Mr. Bonwick's retainer. On May 31, Mr. Glicksman prepared and sent to Mr. Bonwick a draft consulting agreement, which contained a section titled "Disclosure". That section required Mr. Bonwick to represent and warrant that he had disclosed his retainer by PowerStream and the scope of his services to both the Mayor and the Clerk of Collingwood.
22. Mr. Bonwick replied to Mr. Glicksman (copied to Mr. Bentz and Dennis Nolan, PowerStream's in-house legal counsel):

There is one small correction required in the disclosure paragraph related to "notice to the Clerk". the paragraph is correct in it [sic] assertion that the mayor has been informed and has subsequently agreed to provide written confirmation to PowerStream. I have not formally engaged with the Clerk or any other municipal official staff on this matter at this time.

23. This was unacceptable to PowerStream, because it did not amount to the level of disclosure that Mr. Bonwick had represented to PowerStream that he would provide. The next day (June 1) Mr. Glicksman emailed Mr. Bonwick, copying Mr. Bentz and Mr. Nolan, stating:

There still seems to be some apparent "misunderstanding" of the disclosures Brian thought you had made to-date to him with respect to both the Mayor and the City Clerk. He was under the impression that you had made disclosure to and received clearance from, the City Clerk, that under the Municipal Act there was no conflict for you do to work for us leading to or on a potential RFP of Collus and that you had received written confirmation of same from the City Clerk. Given that you had direct discussion with Brian regarding this it may be best for you to give him a quick call so that we can sort the wording out and get on with you supporting us on this exciting project.

24. Mr. Bonwick addressed the matter immediately. On June 2 he sent an email to Bentz and Glicksman, copying Town Clerk Almas, saying:

I had the opportunity to meet with the Clerk of the Town of Collingwood, Ms. Sara Almas this morning. During the meeting I described the services my company would be providing to PowerStream throughout the Region as well as specific to Collingwood.

Ms. Almas was kind enough to offer an interpretation (opinion) of the "Provincial Conflict of Interest Act" as it relates to my sister being a member of Municipal Council. Ms. Almas was quite clear that there is no conflict of interest based on my company's relationship with PowerStream.

25. Also on June 2, Mayor Cooper emailed a letter to Mr. Bentz (which had been prepared with Mr. Bonwick's assistance), stating that she had been made aware of Mr. Bonwick's proposed retainer by PowerStream:

My brother, Paul Bonwick, recently brought to my attention that he has submitted a proposal to provide services to Powerstream.

Paul has described the potential services his company will be providing to include but not limited to strategic advice in matters related to Public Relations, Strategic Planning, Acquisitions, and Media Relations. He has also stated that these responsibilities could potentially incorporate advice related to the Town of Collingwood subject to certain conditions unfolding in the coming months.

Should these conditions come in to play Paul has suggested that a meeting be scheduled with relevant parties to more formally clarify Paul's role with PowerStream.

This appears to be a reasonable course of action however I would emphasize that should you choose to engage Compenso in some manner of service, it should be base. entirely on the merits of the proposal and completely unrelated to his relationship with me and that of my office...

26. On June 3, Mr. Bonwick sent an email to Mr. Glicksman, copying Mr. Bentz and others at PowerStream:

The Clerk has been thoroughly briefed by me. Previously the discussion had taken place between the Mayor and the Deputy Mayor. I have also informed both Parties that Brian and I will be requesting a meeting over the next two or three weeks as time permits.

27. Later the same day, Mr. Glicksman sent an email to Mr. Bentz and Mr. Nolan, saying that Mr. Bonwick had met PowerStream's request with respect to clearing the potential conflict concerning his relationship with the Mayor. Mr. Glicksman said that he would "prepare the letter for Brian's signature Monday".

28. Before it signed the written consulting agreement with Mr. Bonwick, PowerStream had taken the following steps to address any perception of conflict arising as a result of Mr. Bonwick being the brother of the Mayor:

- (i) It carefully considered Mr. Bonwick's engagement, both at the Audit and Finance Committee (including the Mayors of PowerStream's three municipal shareholders) as well as at the PowerStream Board of Director level.

- (ii) It obtained written confirmation from the Town of Collingwood Clerk that the Mayor had no conflict of interest arising out of Mr. Bonwick acting for PowerStream.
- (iii) it obtained a letter from the Mayor of Collingwood stating that she was aware that PowerStream had engaged Mr. Bonwick.
- (iv) It insisted that Mr. Bonwick's consulting agreement with PowerStream contain a provision requiring Mr. Bonwick to make all necessary and prudent disclosures of his engagement with PowerStream.
- (v) It rejected Mr. Bonwick's request for a success fee to Mr. Bonwick in connection with a possible transaction with COLLUS.

PowerStream's June 7, 2011 consulting agreement with Paul Bonwick

- 29. PowerStream and Mr. Bonwick signed a letter consulting agreement dated June 7, 2011 (the "June Consulting Agreement"), for a 90-day term starting on June 1, 2011, which could be extended by mutual agreement.
- 30. The June Consulting Agreement included the following provision:

Disclosure:

Bonwick agrees to make all necessary and prudent disclosures of his/CCI's engagement with PowerStream. Any such disclosures shall be discussed and authorized by PowerStream in advance. Specifically, with respect to any authorized activity on PowerStream's behalf, relating to COLLUS Power, Bonwick represents and warrants that he has disclosed the scope of his services and his retainer by PowerStream to the Mayor and Clerk of the Town of Collingwood, and shall provide written evidence of such disclosure to PowerStream. Further, with respect to COLLUS Power, CCI shall, after consulting with PowerStream, make any additional disclosure(s) that may be prudent or required by applicable law, during the course of this engagement, or any extension thereof. Further, Bonwick nor CCI, will advocate on PowerStream's behalf to the Province of Ontario, or any Ministry or Agency thereof; without PowerStream's express written direction, and further, any such authorized activity shall comply with applicable law, including the Lobbyists Registration Act, 1998.

- 31. The June Consulting Agreement provided that PowerStream would pay Compenso a monthly fee of \$10,000 and expenses of \$1,000. It did not provide for any success fee in connection with the potential acquisition of COLLUS, or any other LDCs.

The June 29, 2011 meeting between PowerStream and Town officials to discuss Mr. Bonwick's retainer

- 32. On June 29, 2011, at PowerStream's request, a meeting took place at the Town of Collingwood's administrative offices, involving the Town's Mayor, Deputy Mayor and Chief Administrative Officer (Kim Wingrove), Ed Houghton and Dean Muncaster of COLLUS, Mr. Bentz and Jeff Lehman (the Mayor of Barrie and shareholder representative on the Board of PowerStream).
- 33. The purpose of the meeting was to inform Town officials and COLLUS that PowerStream had entered into a consulting arrangement with Mr. Bonwick, and to confirm that the Town and COLLUS did not have any concerns about that arrangement.

Mr. Bonwick acknowledges that he will not be paid a success fee in connection with COLLUS

34. The 90-day term of the June Consulting Agreement expired in early September, 2011. Mr. Bonwick and PowerStream discussed an extension to the retainer. On September 27, Mr. Bonwick sent an email to Mr. Glicksman agreeing to the payment terms that PowerStream had proposed. Bonwick also stated:

I agree that there will be no bonus attached in any way to the Collus initiative
however I would appreciate consideration to treat the new payment terms retroactively.
[emphasis added]

The November Consulting Agreement

35. On November 9, 2011, Mr. Bonwick and PowerStream signed a new consulting agreement (the "November Consulting Agreement"). This agreement covered the period from September 1, 2011 to December 31, 2012, and contained the same disclosure requirements as were in the June Consulting Agreement. The November Consulting Agreement provided that PowerStream would pay Compenso a fee of \$15,000 and expenses of \$2,500 per month.
36. The November Consulting Agreement also provided for a success fee of \$80,000 to be paid to Mr. Bonwick within 30 days of the successful closing of a purchase or merger with certain LDCs. The November Consulting Agreement contained a chart listing various LDCs in connection with which Mr. Bonwick would be entitled to a success fee. COLLUS Power was listed in that chart. It will be PowerStream's evidence at the Inquiry that COLLUS Power was included in this chart in error. As Mr. Bonwick's email of September 27, 2011 confirmed, Mr. Bonwick and PowerStream had agreed that no success fee would be to Mr. Bonwick in connection with any transaction involving COLLUS, and indeed none was ever paid.

The COLLUS RFP

37. On October 4, 2011, COLLUS Power issued its Request for Proposal – Strategic Partnership (the "RFP") for purchase of up to 50% of its shares. The RFP document explained that proposals would be reviewed and evaluated by the COLLUS Power Strategic Partnership Task Team (the "SPTT").
38. Bidders were informed that their proposals would be evaluated on the following criteria and weightings:

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

100 Points

39. The RFP document contained provisions that (i) permitted the SPTT to provide any additional information to proponents at its sole discretion, and (ii) provided that at the SPTT's discretion, further requests for information and responses to those requests may or may not be communicated to all bidders:

6.2 Communication of Information

...

SPTT is under no obligation to provide additional information but may do so at its sole discretion. Inquiries received less than two days prior to the closing date and time may not be answered. At SFTT'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.

Information provided to PowerStream by COLLUS

40. In a transaction involving the potential acquisition of a commercial enterprise, interested bidders commonly seek out information, often from the head of the target corporation, to assist them in valuing the target and preparing their bids. During the course of his retainer, Mr. Bonwick relayed information to PowerStream concerning COLLUS and COLLUS Power, some of which appeared to come from COLLUS CEO, Ed Houghton. PowerStream reasonably expected that other proponents bidding on COLLUS were similarly obtaining what information they could in order to assist them in their valuations and in preparing their bids. The evidence at the Inquiry

will demonstrate that other bidders were also in contact with Mr. Houghton to obtain information to assist in responding to the RFP.

41. PowerStream had no reason to believe that Mr. Houghton, or anyone else at COLLUS or COLLUS Power, would give PowerStream or Mr. Bonwick (who Mr. Houghton knew was working for PowerStream) any information that it was not appropriate for PowerStream to have.

The consideration paid by PowerStream was in excess of fair market value

42. The price that PowerStream paid for 50% of the COLLUS shares was far above the fair market value of the shares. The Town of Collingwood got a very good deal.

(a) *The Valuation of COLLUS prepared by COLLUS's valuator, KPMG*

43. On May 20, 2011, KPMG prepared a draft report for COLLUS titled "The Calculation of Value prepared for COLLUS Power Corp." In that report, KPMG concluded as follows:

Based upon the scope of our review (Appendix A), and subject to the assumptions and restrictions as noted herein (Appendix B), we have calculated the fair market value of all the issued and outstanding Shares of Collus Power Corp., as at December 31, 2010, to be in the range of \$14.1 million to \$16.3 million (i.e. with a midpoint value of \$15.2 million).

44. Based on the KPMG valuation, the fair market value of 50% of the shares of COLLUS Power was in the range of \$7.05 million to \$8.15 Million.

(b) *The Valuation of COLLUS prepared for PowerStream*

45. PowerStream retained BDR North America Inc. (an independent consulting company that had specialized in the electricity industry for many years) to prepare a valuation of COLLUS Power Corp. In its report dated October 24, 2011, BDR concluded as follows:

From a buyer perspective, based on certain assumptions the enterprise value is therefore about \$20 million and the equity value is about \$10 million.

Therefore the value of the shares to be purchased is approximately \$5 million.

(c) *Timing of Recapitalization Dividend*

46. Each of the bids submitted in response to the RFP contained, as part of the consideration that the Town would receive in connection with the purchase of 50% of the shares, a "recapitalization dividend" in connection with the restructuring of COLLUS Power's debt. In structuring their bids, the bidders on the RFP took different approaches to the timing of payment of the recapitalization dividend, and in particular, whether the recapitalization dividend would be paid before or after the closing of the transaction. If the recapitalization dividend would be paid before closing, the Town would receive 100%. If the recapitalization dividend would be paid after closing, it would be split 50/50 between the Town and the successful bidder. Payment of the recapitalization dividend after closing could make a bid appear artificially high, because in that scenario, half of the recapitalization dividend would flow back to the bidder as a result of its then 50% ownership of COLLUS, rather than being paid to the Town).

47. PowerStream considered it to be more transparent to structure its bid with payment of the recapitalization dividend occurring before closing. On November 28, 2011, Mr. Glicksman emailed John Rockx of KPMG on this issue, noting as follows:

When we put our bid together we considered building in half of the recapitalization dividend into the price for the equity under the assumption that the utility would move to its deemed capital structure after the transaction took place, and that a recapitalization dividend would be paid out post closing to both shareholders on a 50-50 basis. This would have resulted in: an initial payment to the Town of Collingwood of 10.05 \$M (7.3 \$M + 3.75 \$M) with a recapitalization dividend after the transaction (eg. post closing) of 2.75 M\$ to each shareholder. We thought it was more transparent to instead make an offer of a cash payment for the equity of 7.3M\$ and a pre-closing recapitalization dividend of approximately 5.5 M\$ facilitated by PowerStream.

In both cases the Town of Collingwood receives a total cash amount of 12.8M\$ (assuming they do not want their note of 1.7 M\$ redeemed).

48. All bidders on the RFP other than PowerStream structured their bids with the recapitalization dividend to be paid after closing.

(d) The Total Consideration paid by PowerStream

49. In its proposal submitted a proposal in response to the RFP, PowerStream set out the following financial terms:

The Town of Collingwood would receive total cash consideration of \$14,510,170 upon closing. The payment is comprised of:

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

50. A couple of weeks after PowerStream submitted its proposal, members of the SPTT asked to meet with PowerStream to discuss the financial aspects of PowerStream's proposal. On December 1, 2011, Mr. Houghton, Dean Muncaster (the Chair of COLLUS and COLLUS Power) and John Herhalt of KPMG met with Mr. Bentz, Mr. Glicksman, Mr. Nolan and Mark Henderson of PowerStream. At that meeting, they asked PowerStream to increase its cash offer for the shares from \$7.3 million to \$8 million. PowerStream agreed to do so.
51. The Transaction closed on July 31, 2012. On closing, the Town of Collingwood received (i) \$8,000,000 cash in connection with the share purchase; (ii) a recapitalization dividend of \$4,089,937; and (iii) an additional closing dividend of \$213,986. PowerStream also committed to repayment of a promissory note in the amount of \$1,710,170 if and when requested by the Town.

The consideration paid by PowerStream was among the highest price to fair market value multiples paid for an Ontario LDC at the time

52. BDR conducted a review of comparable utility acquisition transactions in the decade before the COLLUS transaction, and prepared a table showing the ratio of price paid to book value. BDR identified price to value ratios of 1.26 to 1.69:

Transaction Date	Utility Acquired	Purchaser	Enterprise
May-00	Uxbridge	Veridian	1.69
Jun-00	Carleton Place	Hydro One	1.32
Apr-01	Thorold	Hydro One	1.60
Apr-01	Owen Sound	Hydro One	1.26
May-01	Lindsay	Hydro One	1.60
May-01	Quinte West	Hydro One	1.38
May-01	Port Hope	Veridian	1.35
Jul-01	Brampton	Hydro One	1.29
Aug-01	Caledon	Hydro One	1.25
Dec-01	Richmond Hill	Markham/Vaughan	1.33
Avg			1.41
May-02	Cornwall Electric	Fortis	1.25
Sep-05	Gravenhurst	Veridian	1.56
Sep-05	Aurora	PowerStream	1.29
Sep-05	West Nipissing	Sudbury	1.28
Jan-09	ELK Energy	Town of Essex	1.36
Aug-09	Great Lakes Power	Fortis	1.26
Avg			1.33
Overall Avg			1.37

53. By Mr. Glicksman's calculations, the consideration that PowerStream provided to the Town in exchange for the purchase of 50% of the COLLUS shares represented a premium of 1.6 times the book value of the shares. On December 1, 2011, Mr. Glicksman made this point in an email to Mr. Houghton and Mr. Bentz:

As *discussed*, based on our calculations at 8M\$ for 50% of the equity this would put the premium for Collus at 1.60 times book or pretty well the highest that has been paid in the sector.

Conclusion

54. From the outset, PowerStream took reasonable steps to address any perceived conflict arising from Mr. Bonwick working as a consultant on PowerStream's potential acquisition of COLLUS Power when his sister was the Mayor of Collingwood. PowerStream obtained written confirmation from the Town of Collingwood Clerk that the Mayor had no conflict of interest arose out of Mr. Bonwick acting for PowerStream, and obtained a letter from the Mayor of Collingwood stating that she was aware that PowerStream had engaged Mr. Bonwick. PowerStream insisted that Mr. Bonwick's consulting agreement with PowerStream contain a provision requiring Mr. Bonwick to make all necessary and prudent disclosures of his engagement with PowerStream.

Above all, notwithstanding Mr. Bonwick's request for one, PowerStream did not agree to pay, and did not pay, any success fee to Mr. Bonwick in connection with the COLLUS transaction.

55. PowerStream reasonably expected that other proponents responding to the RFP were seeking out information to assist them in valuing COLLUS Power and in putting together their bids. PowerStream had no reason to believe that the CEO of COLLUS (or anyone else at COLLUS) would release to PowerStream or to its consultant, Mr. Bonwick, any information that it was not appropriate for PowerStream to obtain.
56. Ultimately, the Town of Collingwood and the citizens of Collingwood received exceptional value from PowerStream in exchange for the sale of 50% of the shares of COLLUS. The financial consideration received was in excess of the fair market value of the shares, and represented one of the highest premiums over book value paid for an LDC in Ontario at the time. In addition to the financial benefits of the Transaction, PowerStream brought many other benefits to the table, including assistance with regulatory matters, information services, call centre, Conservation and Demand Management and other specialized services.

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