

Transcript of KPMG0003491 – Hand-Written NotesContext:

KPMG_Notes – Interview of Ed Houghton & Dean Muncaster

Prepared by John Rockx – May 13, 2011 (part of valuation process)

New Council

Mandate – reduce level of debt

Sale of assets, heard near the end

Mayor - \$30M value of LDC asset --- \$250K dividend to the Town (via Holdco)

CAO / Treasurer – need for \$'s

Further LDC reductions (PC Energy Platform)

Further consolidation is part of platform

Upcoming retirements

- Hydro superintendent
- Senior accountant
- A few vacancies
- Tim and Ed close to retirement – strategic purchasers

Strategic purchasers

Creemore, Staynor – Collingwood

Valuation – Board and Council meeting required

- Protect your staff
- Philosophical issue

Utility Collaborative Services Inc. – a cooperative

- People only
- Formal cooperative
- Backfill
- No underlying value

Non-represented staff - Collus Solutions (balance)

Collus Power – (union) represented

- Line men (10 to 11 people)

No OEB issues

Write-off – 286K pre-tax; \$200K after-tax – off budget

– Barber Glass – bankrupt (started 127 years ago)

No large customers anymore

Smart meters – cost of service study (deferral)

\$2.00 per month, fall someone

Accounting structure

Variance accounts – smoothing system for 3 years

Creemore substation

- Ed not fussed on this
- Growth + 2% to 4%
- Hydro One supplying us

Capex - \$2.0 M to \$2.2 M is normal capex

- \$3.6 M – substation (\$1.0 M for Creemore substation)

4% growth rate, Collingwood

- = growth node provincially
- One several in the Simcoe area

Long-term attractive, not affected

All urban; opportunity to grow on West

- Lots of developable land, significant growth available for infill
- Boundary roads – own infrastructure everywhere – no land transfers
- Very good shape
- Line loss water – very good 3.1%
- 3 feeds from Hydro One
- Low losses; 30
- Very clean; no environmental issues
- Smart meters – operationally
 - o 5% of meters failed
 - o Not communicating (800 meters replaced)
 - o Time-of-use transition
- Bad for your demographics

Infrastructure Ontario – new substations

- Great deal

LDC - aging employees

- 55 years to 65 years

Harmonized; all 3 locations – no issues, no

- No issue, not transitional rates

Distribution rates

- Staynor transformer station – Hydro One station
- Everything serviced from Hydro One
- Owen Sound/Meaford

Veridian is interested – South Georgian Bay

- Water as well

44 to 46 employees all in

- 30% are shared

OMWA

- o Bill 157 – Sustainable water; (sewers are 80 years old)
- o Water Opportunities Act
 - Develop new technologies
- PowerStream
- Hamilton

Wasaga Hydro

- Fewer employees takeover

Head office under PUC

Some dis-synergies

Veridian – interested

PowerStream – interested

Fortis –

Hydro One – mandate?



Transfer tax (holiday)

Rates

5 years

17,000 people – (22,000 voters - transient)

- Summer people, transient

Water heaters – Reliance

Collus Power does water-heater billings

- In kind service to the Town – “free”
- Engineer – Town benefits

- IT people in here in Collus – bills to the Town
- Wastewater - Town
- Corp - Water Services Board

Electricity only assets

Free waste water billing to the Town – by Collus Power

Water pays its share of bills via Collus Services Board

Solutions – no cost mark-up

- Just a pass through

Synergies – billings

- Centralize costs
- Linemen; bill collector

Monthly billing

Wage rates – increase to higher rates

- Linemen \$2.50 to \$3.00
- Union contracts (3 years – from last Sept 2010 settlement)
- Post-acquisition

Tilltran – St. Thomas Energy

CHEC

- 12 members
 - o Wasaga
 - o Midland
 - o Parry Sound
 - o Huntsville / Lake
 - o Innisfil
 - o Wellington North
- CHEC Group – co-operative

Late next week, draft valuation

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Water	OEB Issues
Economies of scale (rate filings)	Economies of scale issue
	Regulatory issue

Rates – Tim has details of relative rates