



# COLLUS POWER CORP

**Strategic Partnership Request for Proposal  
Results and Evaluations  
Update to Council  
December 5, 2011**



## Request For Proposal Scope:

- Some of the key requirements from a Strategic Partner include the following:
  - 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 our employees
  - Continued and substantial presence in the communities we serve
  - Continued focus on maintaining and enhancing the competitive distribution rate and cost structure of Collus Power



## Proposal Evaluation Criteria

Proposals will be evaluated using the following criteria and weightings:

<ul style="list-style-type: none"> <li>■ Investment for up to 50% of shares</li> <li>■ Other considerations in section 3.1</li> </ul>	30 points
<ul style="list-style-type: none"> <li>■ Provision of strategic and specialized resources</li> <li>■ Support in growing the Collus business</li> </ul>	30 points
<ul style="list-style-type: none"> <li>■ Support for employees and their careers</li> </ul>	10 points
<ul style="list-style-type: none"> <li>■ Customer experience and satisfactions</li> <li>■ Supporting the interests of the communities we serve</li> </ul>	10 points
<ul style="list-style-type: none"> <li>■ Competitive distribution rate and cost structure of Collus</li> </ul>	10 points
<ul style="list-style-type: none"> <li>■ Cultural and synergistic fit</li> </ul>	10 points
	100 points

It should be noted that each Team member reviewed and evaluated the proposals on an individual basis. The group then reconvened to review and discuss the findings of their evaluations and the results are as follows:



## Strategic Partnership Task Team

- ▣ Mayor, Sandra Cooper
- ▣ Deputy-Mayor, Rick Lloyd
- ▣ Kim Wingrove, CAO
- ▣ Dean Muncaster, Chairman, Collus Power Corp
- ▣ David McFadden, Director, Collus Power Corp
- ▣ Doug Garbutt, Director, Collus Solutions Corp
- ▣ John Herhalt, KPMG / John Rockx, KPMG
- ▣ Ed Houghton, President & CEO
- ▣ Tim Fryer, CFO



## Proposal Evaluations:

**Provision of strategic and specialized resources, Support in growing COLLUS Business  
(30 POINTS)**

<b>Point Value: 30</b>	<b>Horizon</b>	<b>Hydro One</b>	<b>PowerStream</b>	<b>Veridian</b>
Task Team Member 1	25	20	30 (1 <sup>st</sup> )	10
Task Team Member 2	20	10	30 (1 <sup>st</sup> )	10
Task Team Member 3	20	20	30 (1 <sup>st</sup> )	10
Task Team Member 4	20	10	25 (1 <sup>st</sup> )	10
Task Team Member 5	25	10	30 (1 <sup>st</sup> )	10
Task Team Member 6	20	10	30 (1 <sup>st</sup> )	10
Task Team Member 7	30	10	30 (1 <sup>st</sup> )	25
Task Team Member 8	15	15	30 (1 <sup>st</sup> )	10
Task Team Member 9	25	15	30 (1 <sup>st</sup> )	10
<b>Totals</b>	<b>200</b>	<b>120</b>	<b>265 (1<sup>st</sup>)</b>	<b>105</b>



## Proposal Evaluations:

**Support for employees and their careers  
(10 POINTS)**

<b>Point Value: 10</b>	<b>Horizon</b>	<b>Hydro One</b>	<b>PowerStream</b>	<b>Veridian</b>
Task Team Member 1	8	7	8	9 (1 <sup>st</sup> )
Task Team Member 2	7	5	9 (1 <sup>st</sup> )	5
Task Team Member 3	7	5	10 (1 <sup>st</sup> )	6
Task Team Member 4	6	6	10 (1 <sup>st</sup> )	6
Task Team Member 5	7	5	10 (1 <sup>st</sup> )	6
Task Team Member 6	9 (1 <sup>st</sup> )	4	8	6
Task Team Member 7	10 (1 <sup>st</sup> )	3	8	5
Task Team Member 8	5	7	7 (1 <sup>st</sup> )	7
Task Team Member 9	6	7	10 (1 <sup>st</sup> )	5
<b>Totals</b>	<b>65</b>	<b>49</b>	<b>80 (1<sup>st</sup>)</b>	<b>55</b>



## Proposal Evaluations:

**Customer experience and satisfaction, Supporting the interests of the communities  
(10 POINTS)**

<b>Point Value: 10</b>	<b>Horizon</b>	<b>Hydro One</b>	<b>PowerStream</b>	<b>Veridian</b>
Task Team Member 1	9	6	10 (1 <sup>st</sup> )	9
Task Team Member 2	8	3	10 (1 <sup>st</sup> )	8
Task Team Member 3	8	5	10 (1 <sup>st</sup> )	9
Task Team Member 4	7	5	10 (1 <sup>st</sup> )	8
Task Team Member 5	8	4	10 (1 <sup>st</sup> )	9
Task Team Member 6	9	5	10 (1 <sup>st</sup> )	10
Task Team Member 7	9	5	9 (1 <sup>st</sup> )	9
Task Team Member 8	8	6	10 (1 <sup>st</sup> )	9
Task Team Member 9	9	5	10 (1 <sup>st</sup> )	10
<b>Totals</b>	<b>75</b>	<b>44</b>	<b>89 (1<sup>st</sup>)</b>	<b>81</b>



## Proposal Evaluations:

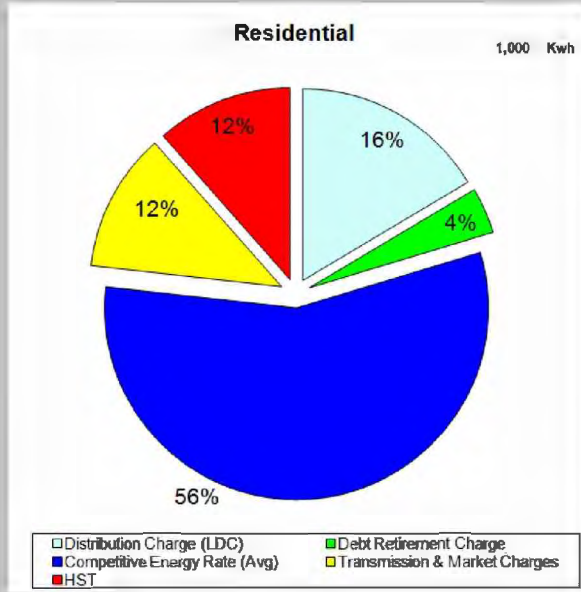
### Competitive distribution rate and cost structure of COLLUS (10 POINTS)

Point Value: 10	Horizon	Hydro One	PowerStream	Veridian
Task Team Member 1	10 (1 <sup>st</sup> )	6	9	9
Task Team Member 2	10 (1 <sup>st</sup> )	5	8	8
Task Team Member 3	9	5	9	10 (1 <sup>st</sup> )
Task Team Member 4	9 (1 <sup>st</sup> )	4	8	8
Task Team Member 5	10 (1 <sup>st</sup> )	2	8	9
Task Team Member 6	10 (1 <sup>st</sup> )	2	7	7
Task Team Member 7	10 (1 <sup>st</sup> )	3	7	7
Task Team Member 8	10 (1 <sup>st</sup> )	5	8	8
Task Team Member 9	10 (1 <sup>st</sup> )	5	8	9
<b>Totals</b>	<b>88 (1<sup>st</sup>)</b>	<b>37</b>	<b>72</b>	<b>75</b>





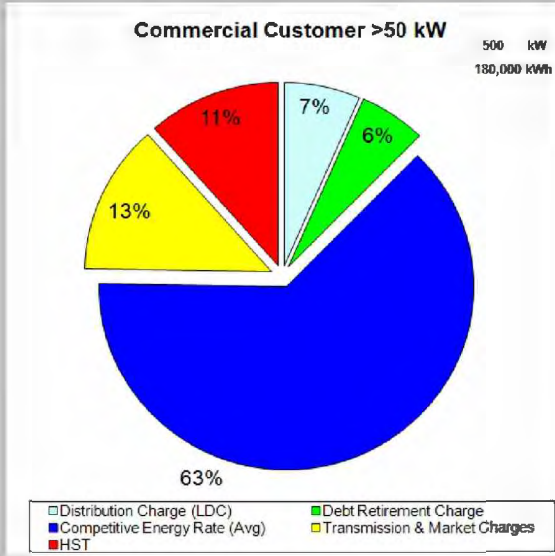
## Residential Customer 1,000 kWh



■ COLLUS Power's distribution charges account for only 16% of the total electricity charges. As an example at 1,000 kWh the total electricity charges would be \$134. The distribution charges amount to only \$22.



## Commercial Customer > 50 kW



- COLLUS Power's distribution charges account for only 7% of the total electricity charges. As an example at 180,000 kWh and 500 kW the total electricity charges would be \$21,827. The distribution charges amount to only \$1,431.



## Proposal Evaluations:

### Cultural and synergistic fit (10 POINTS)

Point Value: 10	Horizon	Hydro One	PowerStream	Veridian
Task Team Member 1	7	2	10 (1 <sup>st</sup> )	3
Task Team Member 2	6	5	10 (1 <sup>st</sup> )	7
Task Team Member 3	7	2	10 (1 <sup>st</sup> )	1
Task Team Member 4	7	5	10 (1 <sup>st</sup> )	6
Task Team Member 5	8	5	10 (1 <sup>st</sup> )	2
Task Team Member 6	6	4	10 (1 <sup>st</sup> )	7
Task Team Member 7	8	5	8 (1 <sup>st</sup> )	5
Task Team Member 8	7	5	10 (1 <sup>st</sup> )	5
Task Team Member 9	7	5	10 (1 <sup>st</sup> )	7
<b>Totals</b>	<b>63</b>	<b>38</b>	<b>88 (1<sup>st</sup>)</b>	<b>43</b>



## Proposal Evaluations:

### Proposal Evaluation Totals (70 POINTS)

	Horizon	Hydro One	PowerStream	Veridian
Provision of strategic and specialized resources, support in growing COLLUS	200	120	265 (1 <sup>st</sup> )	105
Support for employees and their careers	65	49	80 (1 <sup>st</sup> )	55
Customer experience and satisfaction, supporting the interests of the communities	75	44	89 (1 <sup>st</sup> )	81
Competitive distribution rate and cost structure of COLLUS	88 (1 <sup>st</sup> )	37	72	75
Cultural and synergistic fit	63	38	88 (1 <sup>st</sup> )	43
<b>Totals</b>	<b>491</b>	<b>288</b>	<b>594 (1<sup>st</sup>)</b>	<b>359</b>



## Proposal Evaluations:

### Individual Totals

Maximum Point Value: 70	Horizon	Hydro One	PowerStream	Veridian
Task Team Member 1	59	41	67 (1 <sup>st</sup> )	40
Task Team Member 2	51	28	67 (1 <sup>st</sup> )	38
Task Team Member 3	51	37	69 (1 <sup>st</sup> )	36
Task Team Member 4	49	30	63 (1 <sup>st</sup> )	38
Task Team Member 5	58	26	68 (1 <sup>st</sup> )	36
Task Team Member 6	54	25	65 (1 <sup>st</sup> )	40
Task Team Member 7	67 (1 <sup>st</sup> )	26	62	51
Task Team Member 8	45	38	65 (1 <sup>st</sup> )	39
Task Team Member 9	57	37	68 (1 <sup>st</sup> )	41
<b>Totals</b>	<b>491</b>	<b>288</b>	<b>594 (1<sup>st</sup> 8 of 9)</b>	<b>359</b>



# Proposal Evaluations:

## Proposal Evaluation Summaries

	Horizon	Hydro One	PowerStream	Veridian
Total cash consideration to Town of Collingwood	3rd	1st	2nd 1st	4th
Provision of strategic and specialized resources, support in growing COLLUS	1st		9 out of 9	1st
Support for employees and their careers	2 out of 9		6 out of 9	1 out of 9
Customer experience and satisfaction, supporting the interests of the communities	1st		9 out of 9	1st
Competitive distribution rate and cost structure of COLLUS	8 out of 9		1st	1 out of 9
Cultural and synergistic fit	1st	1st	9 out of 9	1st
	<b>1st</b>	<b>1st</b>	<b>1st</b>	<b>1st</b>
	<b>Totals 10 out of 45</b>	<b>0 out of 45</b>	<b>33 out of 45</b>	<b>2 out of 45</b>



## Proposal Evaluations:

### Proposal Evaluation Summaries

Business Issue	Horizon	Hydro One	PowerStream	Veridian
Binding/Non-Binding	Non-Binding	Non-Binding	Non-Binding	Non-Binding
Shares	50%	50% or less	50%	50%
Unassumed Liabilities	unconfirmed 60%/40% Debt to Equity \$2.65 M to Town	unconfirmed 60%/40% Debt to Equity \$3.2 M to Town	confirmed 60%/40% Debt to Equity \$5.3 M to Town	unconfirmed 60%/40% Debt to Equity \$2.65 M to Town
Recapitalization	\$2.65 M to Horizon	\$3.2 M to Hydro One	\$0.0 to PowerStream \$1.71 M payout Town's option	\$2.65 M to Veridian
Promissory Note	\$1.71 M payout	\$1.71 M payout	50% Town 50% PowerStream	\$1.71 M payout
Governance	50% Town 50% Horizon Majority Independent	20% Town 20% Hydro One 60% Independent	Majority Independent 2 Co-Chairs	50% Town 50% Veridian 100% Independent
<b>Total cash consideration to Town</b>	<b>\$11.86 million in cash</b>	<b>\$15.998 million in cash</b>	<b>\$15.010 million in cash</b>	<b>\$10.86 million in cash</b>



## LDC Acquisition Premiums

Transaction Date	Utility Acquired	Purchaser	Enterprise price/book
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
<b>Avg</b>			<b>1.41</b>
May-02	Comwall 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
<b>Avg</b>			<b>1.33</b>
<b>Overall Avg</b>			<b>1.37</b>

**Note:** Based on \$8.0 million for 50% of the equity, the premium offered by PowerStream for Collus is 1.60 times book value or pretty well the highest that has been paid in the sector





## Further Clarifications :

- During our Strategic Partnership Task Team meetings certain questions arose that needed further clarification by PowerStream. These questions and clarifications are as follows:
  1. Does this transaction require a MAAD Application?
    - Yes and PowerStream will take the lead role with assistance from COLLUS Staff and at no charge to Collus Power.
  2. Will Shared Service arrangements be forced on us?
    - No, absolutely not! Shared Service Agreements will only be entered into when and if it makes financial and operational sense.
  3. Is PowerStream entering into this arrangement with the thought of a creeping takeover?
    - No, absolutely not! PowerStream strongly shares our philosophical approach to this partnership. John Glicksman, CFO stated, "I look forward to working with you towards a successful conclusion to our negotiations and to working with you and the rest of our team to build our new partnership into a much larger regional presence."



## Further Clarifications :

4. In your response to the RFP you noted a "Shotgun Clause". Can you expand on your thoughts?
  - PowerStream does not like this approach and in fact do not like the phrase. The reason it is mentioned is because it is stated this way in the RFP itself. Their views on liquidity is exactly that of ours and specifically David McFadden's .
5. What are your thoughts on the purchase of the shares of the Holding Company and making Collus Solutions inactive?
  - PowerStream is comfortable with whichever arrangement makes sense for the Town and removes any tax implications. The transfer of employees is not an issue in their view and will not be seen as "tax avoidance".
6. If we leverage ourselves to 60/40% debt to equity, will this limit our ability to grow in the future?
  - PowerStream does not believe this and agrees that we can further leverage if we so desire (common practice), we can ask the Town to set aside a portion of the proceeds for future growth of Collus or PowerStream will be there, as our partner for future growth opportunities .



## Further Clarifications :

7. We would like to negotiate the offer for the 50% shares up from \$7.3 million to \$8.0 million?
  - PowerStream has agreed to increase their offer up to \$8,000,000. This represents a 10% increase and moves the offer to the highest range for premiums paid in recent years at 1.6 times book value.



## Key Events:

### Key Events:

- June 27, 2011 - Met with Council & received approval to investigate Strategic Partnership
- July 7, 2011 - Meeting with Strategic Partner 1
- July 20, 2011 - Meeting with Strategic Partner 2
- July 20, 2011 - Meeting with Strategic Partner 3
- July 26, 2011 - Meeting with Strategic Partner 4
- July 26, 2011 - Meeting with Strategic Partner 5
- August 3, 2011 - First Meeting with Strategic Partnership Task Team
- August 29, 2011 - Second Meeting of Strategic Partnership Task Team
- Sept. 12, 2011 - Interview with Strategic Partner 4 and Strategic Partner 2
- Sept. 19, 2011 - Interview with Strategic Partner 1 and Strategic Partner 5
- Sept. 28, 2011 - Third Meeting of Strategic Partnership Task Team
- Sept. 29, 2011 - Met with Collus Staff and provided confidential update



## Key Events:

### Key Events:

- October 3, 2011 - Provide Council with Update
- October 4, 2011 - RFP released
- November 15, 2011 - Met with Collus Staff and provided update
- November 16, 2011- RFP's returned
- November 17, 2011 - Provide Council with Update and issue News Release
- November 22, 2011 - Public Information Session
- November 23, 2011 - Fourth Meeting of Strategic Partnership Task Team
- November 28, 2011 - Fifth Meeting of Strategic Partnership Task Team
- December 1, 2011 - Meeting with PowerStream to confirm RFP analysis
- December 2, 2011 - Meeting with Collingwood Utility Services, COLLUS Power Board and Strategic Partnership Task Team to propose a recommendation to Council
- December 5, 2011 - Meeting with Council to Update Council on the findings of the SPTT



Resolution:

**THAT** the COLLUS Power Corp Board hereby accepts the findings of the Strategic Partnership Task Team and recommends to Collingwood Council that Collus Power Board be directed to undertake negotiations with PowerStream Inc. for the purpose of entering into a Strategic Partnership arrangement;

**AND FURTHER THAT**, the results of these negotiations be brought back to Collingwood Council in a timely fashion for further review and consideration.



## Critical Timelines

### Timelines:

- October 4, 2011 - RFP released
- November 16, 2011 - RFP called
- December 2, 2011 - Provide findings of RFP to COLLUS Board
- December 5, 2011 - Provide findings to Council in-camera



# Questions





Notes: