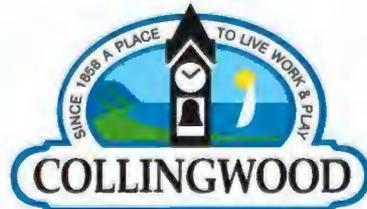


THIRD PARTY REVIEW OF THE COLLUS POWERSTREAM STRATEGIC PARTNERSHIP

DELIVERING VALUE TO THE CUSTOMER



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Executive Summary



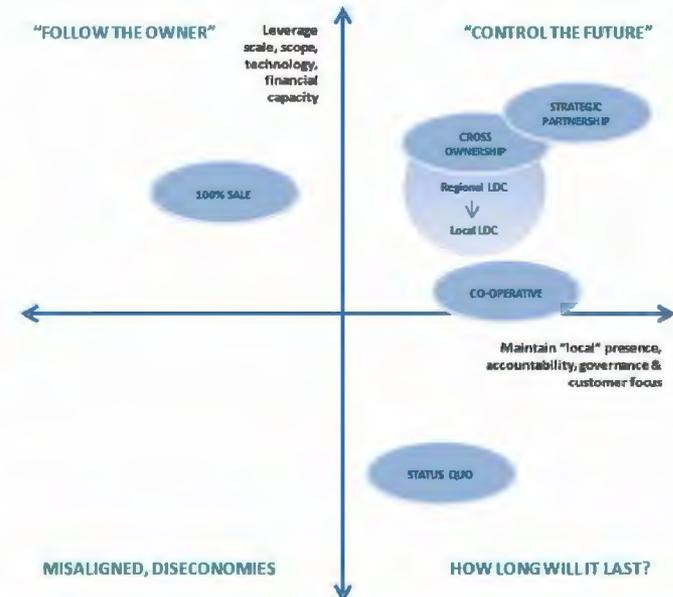
BACKGROUND

- The purpose of this report is to have Consol Asset review, in practical terms, the benefits and successes that Collus PowerStream has been able to experience since its strategic partnership with PowerStream in July 2012.
- The LDC business model is expeditiously shifting from a simple utility focused on selling a commodity typically from an expanding asset base of centralized generation and traditional delivery infrastructure to a more complex, integrated energy services provider serving the increasing demands of the engaged customer with an information-enabled infrastructure in a distributed generation environment.
- The LDC customer today has moved from being a passive “bill payer” to a customer that is now engaged in its energy micro grid. Customers’ expectations will continue to increase from information on demand, cost justifications, higher degrees of control and personalized interaction channels.
- On July 31, 2012 PowerStream purchased a 50% interest in Collingwood Utility Services Corp. from the Town of Collingwood. In addition to the Town of Collingwood receiving proceeds from the sale, the utility—later rebranded as Collus PowerStream—would also be able to secure services from PowerStream through mutually agreed upon shared service agreements. Enhancing service offerings to customers by combining the local operational approach of a local utility with the resources available through a regional utility was the thinking behind the strategic partnership.
- Collus PowerStream pioneered the strategic partnership as a viable alternative to the traditional merger and acquisition consolidation model and delivers a solution to the Ontario Government’s request to seek efficiencies from the distribution sector.
- Various comments and misconceptions have been highlighted by industry stakeholders such as “major decisions are made in Vaughan”, “Collus PowerStream is no longer a *small* LDC serving the needs of the local customer, community and its employees” and “Collus has now lost its roots”. Collus PowerStream agrees that it should have executed a more comprehensive communication strategy to provide a clear message that Collus continues to be active in the community and has never lost the rich heritage that the utility has built since the early 1860s. And that Collus still remains a small LDC providing direct service to its population of 16,000 customers from its legacy offices on 43 Stewart Drive in Collingwood with the same employee base that it had prior to the strategic partnership transaction.

BENEFITS AND SUCCESSES OF THE STRATEGIC PARTNERSHIP

1. **Complimentary Vision, Mission and Values.** Collus and PowerStream each have a strategic vision, mission and values that compliments each other to describe their future as a regulated electric utility. This will enable the company to effectively implement its business plan to deliver clean, affordable and reliable energy to its customers now and in the future.

THE LDC COLLABORATION MATRIX

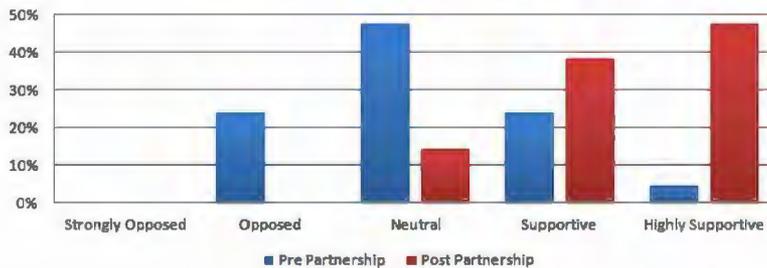


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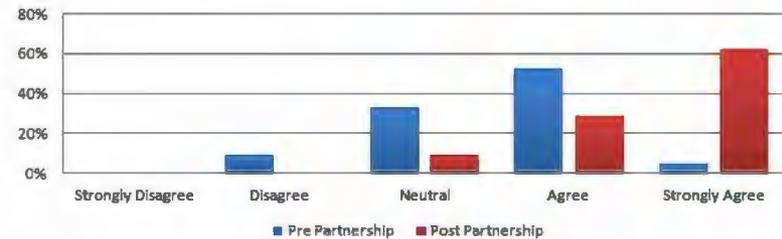


- 2. Platform to Leverage Scale.** Ability to leverage the size of PowerStream’s operations and diversity compared to those of Collus PowerStream on a standalone basis. To provide (i) enhanced operational stability, (ii) greater ability to execute Conservation and Demand Management programs, (iii) greater ability to validate business strategy execution risk with a leading, large LDC, (iv) increase asset utilization and share reinvestment programs, (v) a stronger voice in shaping Provincial energy and economic development policies, and (vi) allow for additional options for future potential strategic transactions.
- 3. Complementary Geographic Coverage and Potential Future Diversity.** Ability to take advantage of balanced coverage throughout Central Ontario, where Collus PowerStream and PowerStream have complementary geographic coverage. In addition, Collus PowerStream sees value and potential in augmenting its geographic diversity with strategically partnering with other adjacent LDCs to create increases in scale and scope.
- 4. Employee Engagement and Combined Expertise.** Will combine complementary areas of expertise drawing on the intellectual capital, technical expertise and experience of a deeper and more diverse workforce. In order to capture the perspective of the Collus PowerStream employees as it pertains to the benefits and successes of the strategic partnership, an internal employee survey was conducted to measure the responses to ten key questions from a “pre-partnership” and “post-partnership” point of view. The survey was distributed to all 28 dedicated employees across all departments using a third-party survey software which ensured that the responses were posted anonymously so that the employees would be able to posts results freely and candidly.

Job Security Given the Current Status in the Electricity Industry
Collus PowerStream Employee Survey



Maintain Local Presence, Local Accountability and Local Customer Experience
Collus PowerStream Employee Survey



The employees survey results clearly demonstrated that the people of Collus considered that the strategic partnership truly shifted their actions, behaviours and sentiments from a relatively satisfactory position pre-partnership to definitive agreement that the partnership increased value to the customer, provided more effective and efficient resources to do their day-to-day tasks, increased job security, provided leading-edge technologies and has increased the employees’ overall confidence in the future.

Executive Summary



5. **Value to Our Customers.** As with all business combinations, there was a definite concern regarding how the strategic partnership would impact the customer – potential results could be negative, positive or have no real visibility to the customer. Considering that the strategic partnership has continued to allow Collus PowerStream to have local presence, local accountability and local customer servicing the impact of the strategic partnership has been seamless in the face of the customer throughout 2012 and 2013.
6. **Leverage Key Advancements in Future Technologies.** PowerStream’s constant pursuit of developing and implementing innovative technologies to positively impact costs, services and value to the customer will be a key leverage point for Collus PowerStream, who would not be able to progress as quickly—and as effectively—on the steepening technology curve if it was operating as a stand-alone utility.
7. **Cash Proceeds from Sale of Shares and Dividend Recapitalization.** As part of the transaction with PowerStream, the Town of Collingwood received cash proceeds as consideration for 50% of the common shares of the company and a further cash injection of millions as a unique dividend recapitalization that only PowerStream included as part of their response to the RFP.
8. **Increased Financial and Operational Stability.** By having PowerStream as a 50% owner, the company has aligned with a LDC that employs over 550 people to assist Collus PowerStream, and has stable and consistent cash flows earning net income of \$28 million in 2012 and a strong balance sheet with over \$345 million in shareholders’ equity.

Continuing its track record of realizing benefits from the strategic partnership with PowerStream, Collus PowerStream earned its highest annual net income in 2013. As a consequence, Collus PowerStream will be able to issue a material cash dividend payment to the Town of Collingwood and PowerStream which it has previously not been able to do in recent history, not including the strategic partnership dividend recapitalization
9. **Leveraging the Collus PowerStream Strategic Partnership in Ontario’s LDC Market.** The strategic partnership between Collus PowerStream and PowerStream is an example of an innovative, pioneering, collaborative structure that can be a viable alternative for other local LDCs to understand and discuss as they determine the most appropriate path for their LDC in the future.

Dividends to the Town of Collingwood -
Cash and In-Kind



“Credit must be given to the former Collus Power Board and specifically our Chairman, the late Dean Muncaster, for pushing the Board and Senior Management to look out beyond routine thinking and to find a business model that enhances value to our customer and to our Shareholder while protecting the interests of all our employees. The measurable successes we have had after our first eighteen months prove that we are on the right track.”

Ed Houghton, President & CEO Collus PowerStream

Introduction



The purpose of this report is to have Consol Asset review, in practical terms, the benefits and successes that Collus PowerStream has been able to experience since its strategic partnership with PowerStream in July 2012. In addition to the omnipresent requirement of achieving cost savings associated as a benchmark for any partnership, the success of the Collus PowerStream strategic partnership gravitates to far more compelling benefits that focus on serving the increasing demands of its customers, providing the tools and job security to further engage its employees, leveraging the latest in technology advancements to support the changing industry and ensure the long-term operational and financial stability of Collus PowerStream as it supports the people of Collingwood, Stayner, Thornbury and Creemore.

The industry continues to debate and challenge the current status quo of electricity distribution through the local distribution companies (LDCs) as evidenced by the Ministry of Energy forming the Distribution Sector Review Panel in April 2012 and the Panel's subsequent report Renewing Ontario's Electricity Distribution Sector: Putting the Consumer First. As consumers have now travelled the continuum from being a passive bill payer to now becoming engaged, demanding partners with their energy supplier, the time has come whereby LDCs have to make choices which will impact they way they operate in the future. From finding new, innovative ways to finance asset and infrastructure needs, to understanding how the technology is creating the LDC 2.0 where the lines are blurred between a traditional utility and a progressive, technology-enabled firm that manages the envious "last mile," and "first mile" in the case of distributed generation solutions, with each of its customers.

We define the LDC Collaboration Matrix to segment various options that LDCs have to think about as they determine their own pathways into the future. In order to address some misconceptions and lack of understanding regarding the specifics of the strategic partnership transaction between Collus and PowerStream, a 'Myth versus Fact' sheet has been included to provide answers to some of the frequent comments that have been heard from the various people—internal and external—that have participated in this project. An employee survey also provides highlights based on quantifying Collus employees' sentiments pre-transaction juxtaposed against post-transaction. And the report also discusses the LDC Capital Spiral, which outlines competing and dividing forces which pits the need for capital injection against the need to remove costs from the power system.

The structure of the report is to first provide some of the current challenges facing the LDCs in today's changing market in Section 1— this is not necessarily new; however it is shaped in such a way that it asks all LDCs very specific questions about their customers, its operations, the people, infrastructure reinvestment, technology enablers and its financial stability for the future. Then, in Section 2 the report discusses some of the specifics of the actual transaction between Collus and PowerStream in an attempt to provide full disclosure regarding the structure, the terms and the time required to close the transactions. And in Section 3, we document nine (9) specific benefits and successes that Collus PowerStream has experienced as it relates to the challenges represented in our Section 1. The format includes sixteen (16) case studies that illustrate how the Collus PowerStream strategic partnership has positively impacted its ability to serve and provide value to its customers.

Drivers of Change Require New, Innovative Collaboration Structures Going Forward



THE CASE FOR A NEW, INNOVATIVE COLLABORATION STRUCTURE

Today's LDCs continue to face the ubiquitous realm of change which has been constant throughout the days since deregulation of the electricity marketplace occurred in the late 1990s. In addition to the traditional goals of safety, efficiency and reliability, today's utility must address the growing desire by customers to have greater control over their energy use decisions to lower costs and receive better service through innovation.

The challenge of balancing new regulatory mandates while maintaining affordable and reliable service has created an environment of unpredictability that cuts at the thread of being able to operate efficiently and effectively to serve the customer and community. As more regulations are put in place, LDCs must find ways to fund, implement and manage these changes while ensuring that customers' lights stay on. These changes represent significant investments that are currently recovered from consumers. As a result, average customer rates have and will continue to rise. Recent projections indicate that Ontario electricity energy prices will grow by 46% in the current five-year period.¹ Hence, there are competing forces with the realities of our assets and the conflicting need to minimize energy costs for the customer.

LDCs continue to focus investments in the core operations of distribution to update aging infrastructure, improve asset performance and utilization and preserve reliability. The challenge of balancing the need for significant investments to shore up reliability and compliance, while minimizing the cost to consumers, is putting tremendous pressure on LDCs to find new, innovative collaboration structures and operational programs.

Nonetheless, the full implementation of these programs, and their integration into new, more efficient utility distribution models, represents one of the greatest opportunities for addressing growing demands for better operating, economic and community results from aging utility infrastructure. With an ever-increasing pace in technology advancements, including smart grid and distributed generation solutions, the lines are blurring, and thus separating utility operations and information technology, communication type enterprises. The good news is that industry leaders and municipal shareholders are not without options that can help stretch precious capital resources. However, the future LDC will require collaborative efforts to change organizational culture, paradigms and, in some cases, ownership structures to yield the most productive solutions.



*Canadian Tire and Cleansheet's campaign debuted during the World Junior Hockey Championships. The inspirational Toews Team photo commercial shouts the message that **"there is no such thing as an unassisted goal."***

*It begins with the arena announcer saying: "Jonathan Toews' goal assisted by... "the viewers are expecting another hockey player to be named, but to their surprise, they see his parents, community rink builders, fundraisers, sponsors and carpoolers instead. The announcer credits them with the assists whose actions prove **"there is no such thing as an unassisted goal."***

*Similarly, the strategic partnership between Collus and PowerStream fits the analogy that the Collus operations today credits all the people of PowerStream whose skill, experience and cooperation prove **"there is no such thing as an unassisted goal."***

¹ Ontario's Long Term Energy Plan.

Drivers of Change Require New, Innovative Collaboration Structures Going Forward



THE LDC EVOLUTION FROM “THEN” TO “NOW”.....

ATTRIBUTE	THEN.....	NOW.....
Business Model	Simple, based on steadily increasing electricity sales typically from an expanding asset base of centralized generation and traditional delivery infrastructure.	Complex, integrated energy services provider serving the increasing demands of the engaged customer with an information-enabled infrastructure in a distributed generation environment.
Customer	Passive. Relationship was simple – provide electricity and the customer pays the bill each month.	Customer is now engaged – no longer accepting the historical “just pay the bill” mentality. Customers’ expectations will continue to increase from information on demand, cost justifications, higher degrees of control and personalized interaction channels.
Infrastructure	Distribution systems were mechanical, binary and had been relatively consistent decade to decade in relation to poles and wires infrastructure. Distribution systems were augmented based on population growth.	Distribution systems are now fluid, intelligent and mobile to meet the needs of the engaged customer. Risk-based processes/systems will help LDCs replace “reactive” practices to develop comprehensive replacement/growth infrastructure programs challenged by limited capital resources.
Technology	Technology “facilitated” the LDCs’ objectives to provide reliable, consistent and safe energy to the customer. Technology was centralized, incremental and secondary.	Technology is now disruptive. Being a ‘poles and wire’ company is being replaced by becoming an information and communication company. LDC 2.0 is here. Smart thermostat companies sell for \$3.2 billion to the likes of Google. The “last mile” and “first mile” connecting customers to the grid positions LDCs as a unique enabler in creating new value propositions.
Regulatory	320 LDCs existed in 1998 prior to Bill 35. The OEB then became responsible for regulating prices and protecting the public. The OEFC, ESA and IESO were also created. In 2004, the OPA was formed to ensure an adequate supply of electricity and the Conservation Bureau was also created. Numerous regulatory bodies providing oversight for the remaining 73 LDCs in the Ontario market.	Recent legislative and policy initiatives have increased political and regulatory uncertainty. Regulatory costs have also increased substantially over the last decade even though the number of LDCs have declined.
Access to Capital	Restrictive. Municipalities were not permitted to invest in the utilities they owned. And there were limitations on private investments in LDCs based on punitive tax regulations.	Still restrictive—changes have not occurred. New, innovative capital programs have not been introduced to ensure that LDCs will be able to continue to service customers’ ever-increasing demands.

Drivers of Change Require New, Innovative Collaboration Structures Going Forward



1. COLLUS, POWERSTREAM AND THE DISTRIBUTION SECTOR REVIEW PANEL

PowerStream and the Town of Collingwood closed an agreement on July 31, 2012 which saw PowerStream purchase a 50% interest in Collingwood Utility Services Corp. from the municipality. In addition to the Town of Collingwood receiving proceeds from the sale, the utility—later rebranded as Collus PowerStream—would also be able to secure services from PowerStream through mutually agreed upon shared service agreements. Enhancing service offerings to customers by combining the local operational approach of a local utility with the resources available through a regional utility was the thinking behind the strategic partnership.

This innovative ownership arrangement between the Town of Collingwood and PowerStream was developed in response to the Ontario Government seeking efficiencies from the distribution sector by providing a viable alternative to the traditional merger and acquisition consolidation model that PowerStream and other Ontario utilities have engaged in previously.

Ontario Government's Distribution Sector Review Panel report on the future of the province's electricity distribution sector referenced by PowerStream in its own submission to the Panel in June 2012 including the consolidation of local distribution companies within a region to gain efficiencies to benefit customers. The Panel, whose membership consisted of representation from all three major Ontario political parties, was tasked in 2012 by the provincial government to provide advice and make recommendations to the Minister of Energy regarding issues related to Ontario's electricity distribution sector and distribution models, including opportunities for consolidating distributors. As part of its consultation, the Panel examined potential long- and short-term financial savings associated with consolidation, benefits for ratepayers, long- and short-term operational efficiencies and potential risks.

Through its own experience with consolidations, PowerStream has seen operating cost savings of 10-15% when compared to pre-merger costs. Combined annual synergy savings as a result of mergers and acquisitions since 2004 has enabled the company to maintain customer distribution rates that are among the lowest in Ontario.

WILL THE LOCAL LDC BE ABLE TO.....

MANAGE THE RECOMMENDATIONS OF THE DISTRIBUTION SECTOR REVIEW PANEL?

"PowerStream, working in conjunction with its shareholder municipalities, has a record of executing cost-effective mergers and acquisitions that have resulted in reducing the upward pressure on customer distribution rates while maintaining industry-leading safety, reliability and customer service. We commend the Panel for their insightful review of the sector and their forward-thinking recommendations."

Frank Scarpitti, PowerStream Director and Mayor of the City of Markham.

Drivers of Change Require New, Innovative Collaboration Structures Going Forward

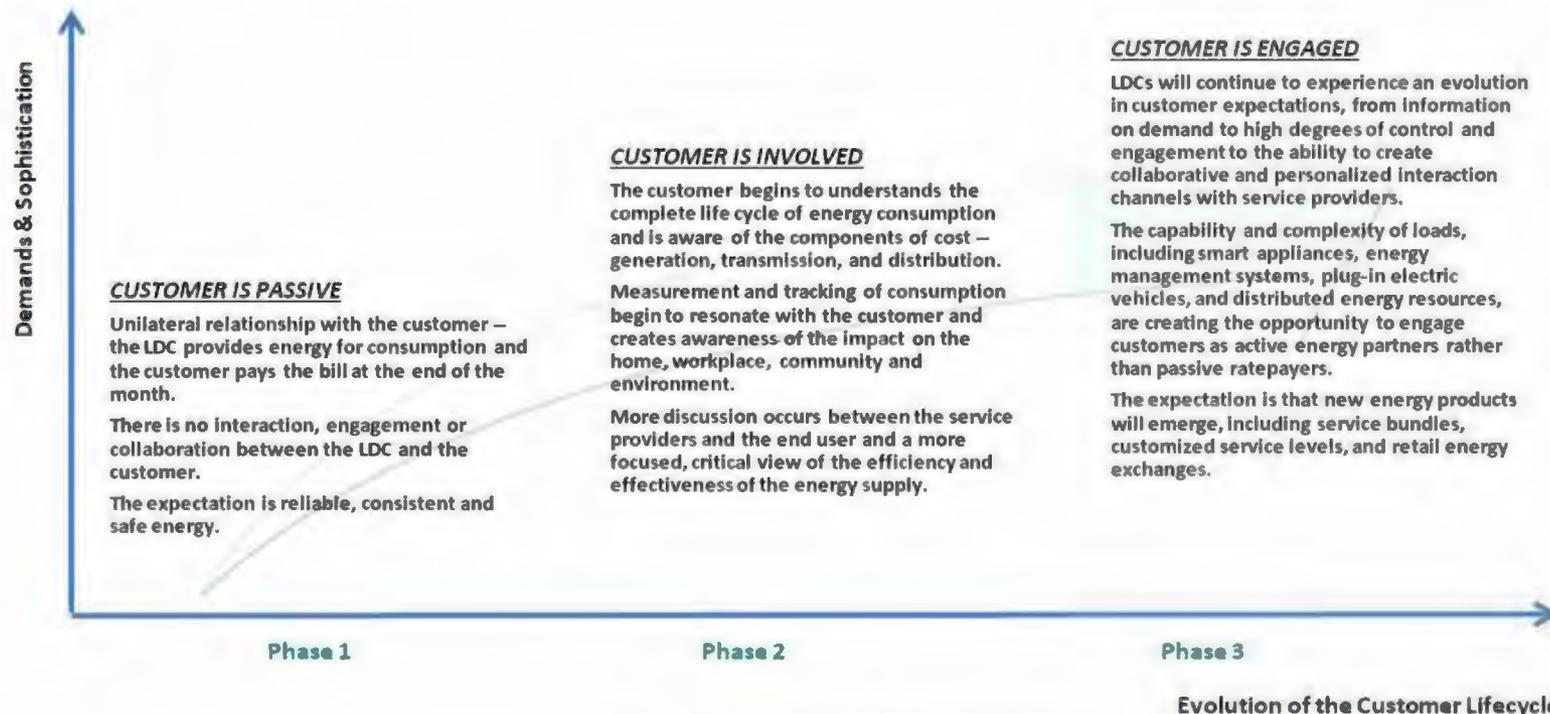


2. THE CHANGING NEEDS OF THE CUSTOMER

Meeting customers' demands will create opportunities; however, the modern utility will require transformation from the current, traditional electric distribution LDC business model. Delivering safe and reliable electricity will always form the bedrock of what the LDC does, but it will need to expand its vision and adapt to changing circumstances in order for its employees to provide energy sustainably for its customers, communities and shareholders. The customer is no longer passive, as they too have transformed into a level of engagement that will challenge today's LDC.

WILL THE LOCAL LDC BE ABLE TO.....

MEET THE EXPECTATIONS OF THE CHANGING NEEDS OF THE "ENGAGED" CUSTOMER?



Drivers of Change Require New, Innovative Collaboration Structures Going Forward



3. OUR EMPLOYEES ARE KEY TO PROVIDING VALUE; DO WE GIVE THEM THE RESOURCES THEY NEED TO BE EFFECTIVE?

As the electricity distribution industry focuses on priorities such as consolidation, economies of scale, customer value statements and enabling technologies, it is possible that a key driver for the utility's success is sometimes overshadowed by such priorities – the utility's employees that are the front-line workers interfacing with approximately five million customers in Ontario. In this state of constant flux, the LDC must ensure that there is a stable foundation of its employees from which all the utility's strategic goals and objectives can be effectively executed.

Each LDC must determine if it is providing the necessary resources to its employees so that the employees remain engaged in their work and continue to provide value to the customer. LDCs will need to be honest with their employees, communicate business strategy and objectives, be able to demonstrate the "golden thread" that connects an employee's day-to-day activities with the future plans of the LDC to serve the customer, and provide a performance based measurement system that encourages the behaviours that the LDC sees as key to driving future growth.

Does today's LDC:

- *Provide job security in an environment and market that is constantly undergoing change?*
- *Implement the necessary resources, tools and authorities so that the employee can be most productive in his or her job?*
- *Create a culture whereby the employees think that they indeed provide value to the customer?*
- *Provide a workplace where the employee is able to manage stress and have a suitable work/life balance?*
- *Leverage technology to increase productivity and output?*
- *Provide a workplace that instills confidence in their future and the future of the LDC?*

WILL THE LOCAL LDC BE ABLE TO.....

PROVIDE THE NECESSARY RESOURCES AND SECURITY REQUIRED BY ITS EMPLOYEES?

Drivers of Change Requires New, Innovative Collaboration Structures Going Forward



4. THE REGULATORY LANDSCAPE IS CONSTANTLY IN FLUX

In 1998, there were approximately 320 LDCs in Ontario. Bill 35, the Energy Competition Act, was passed in 1998. Significant consolidation resulted such that there are approximately 73LDCs today. After market restructuring, the Ontario Energy Board (OEB) assumed oversight over the Ontario electricity distribution sector. In this role, the OEB controls electricity rates and service standards, and sets rules with respect to utility operations. Under the OEB's current rate setting approach, LDCs are required to submit a full Cost of Service Application every 3 to 5 years. This rebasing process results in rates that cover allowed utility costs and that provide for a regulated return on a utility's invested capital or rate base. Between rebasing applications, the OEB adjusts an LDC's rates through an annual indexing process. This indexing process takes into account general cost trends and changes in financial market conditions, as well as deemed productivity increases. The OEB rate setting and regulatory processes put significant pressure on all LDCs, but particularly smaller LDCs with limited management resources.

The Province remains concerned about the continued operation of these 73 LDCs and believes that without economies of scale this will result in additional costs. Many observers expect the Province to take steps to encourage additional LDC consolidation thus creating a sense of urgency amongst LDCs to do "something".

The Province is also concerned that hard-to-service rural areas will be left out of voluntary transactions. Hence, initiatives to encourage municipal consolidation may be tied to specific measures to create a number of large, regional utilities. Compounding the complexity is the customer who is constantly trying to manage their energy bill which have been rising at rates greater than inflation as a result of several factors. These include:

- The introduction of the HST.
- Increases in transmission and distribution charges as a result of the need for repair and renewal of electricity networks, implementation of Smart Meters, and general increases in regulatory and other costs.
- The construction of new clean energy plants to supply additional capacity in parallel with the phase-out of coal generation.
- The impact of OPA contracts for renewable power at above-market rates.

This has resulted in additional political sensitivity to power costs and may make future Provincial policies somewhat uncertain and subject to change which creates a level of tension and perhaps anxiety for today's LDC.

WILL THE LOCAL LDC BE ABLE TO.....

MANAGE THE BURDEN OF INCREASED REGULATORY OVERSIGHT, NEW POLICY IMPLEMENTATION AND COMPLEX REPORTING?

Drivers of Change Require New, Innovative Collaboration Structures Going Forward



5. TO PROVIDE CONSISTENT, RELIABLE, SAFE ENERGY CHALLENGES OUR ASSETS AND INFRASTRUCTURE EVERYDAY ¹

Many, if not all, of the smaller LDCs are expected to have challenges meeting the public's expectations for new and more sophisticated services in the near future, while achieving higher levels of efficiency in the process. Yet it is expected that the distribution sector will have to manage billions of dollars in new investment in assets over the next decade just to keep its systems operational, to say nothing of upgrading them to meet new challenges presented by the smart grid, electric vehicles and distributed generation.

With increasing upward pressure on utility rates from necessary capital investments, utility regulators and other stakeholders will be examining these investments much more closely than in the past. This means LDCs must be prepared to provide strong evidence to demonstrate their investment programs are well-conceived and can provide desirable results. The more a utility is able to demonstrate to regulators and stakeholders that its infrastructure replacement programs are based on the right balance of cost, risk and performance – essentially proving they are “getting the most bang for the ratepayer buck” – the less debate there will be around the cost of these investments in utility rate cases.

Electric distribution infrastructure across Ontario also faces challenges associated with extreme weather events causing service disruption as recently experienced, population growth and shifts, and capital limitations. Addressing these challenges requires significant time, experiences, commitment and investment. In an era burdened with uncertainty, LDCs will need to plan, mobilize and execute relevant and realistic business plans that marry with the future, sometimes conflicting, demands of the engaged customer, the regulatory bodies, the community and its shareholders.

While recent large storm systems bring the issue of reliability to the forefront, other forms of reliability improvements provide significant benefits for customers and the utility's overall financial performance. A risk-based infrastructure, or asset management, process and system will help utility leaders focus on and make decisions to improve the riskiest assets and issues on their systems.

The challenge of improving asset management practices should not be underestimated. Many utilities have benefited from the use of working with other LDCs to provide practical advice and insight based on “real life” experiences related to embedding asset management into day-to-day business and operational tasks; this is especially true for organizations that have limited resources.

WILL THE LOCAL LDC BE ABLE TO.....

PROVIDE CONSISTENT, RELIABLE AND SAFE ENERGY WITH ITS CURRENT INFRASTRUCTURE?

¹ *Black & Veatch*

Drivers of Change Require New, Innovative Collaboration Structures Going Forward



6. CONSERVATION AND DEMAND MANAGEMENT (CDM) REQUIRES TIME, RESOURCES, MEASUREMENT AND EFFECTIVENESS

Conservation and demand management (CDM) is a critical mechanism for reducing energy consumption and maintaining system reliability. In addition, CDM is often referred to as the cheapest source of energy for utilities. The Institute of Electric Efficiency (IEE), created by the Edison Electric Institute in 2008, refers to the concept of CDM as the “first fuel” for the industry.

In addition to its advantage as the lowest-cost energy resource, CDM provides numerous benefits to utilities and customers¹:

- Lower energy bills, greater customer control and greater customer satisfaction;
- Modular and quick to deploy;
- Environmental benefits from reduced fuel consumption; and
- Economic development.

The benefits of CDM are clear, and hence the OEB and OPA have implemented the demand reduction targets for the period ending 2014 which many LDCs will most likely be unable to satisfy. What happens then – punitive penalties which will put further strain and burden on the LDC?

It is also important that customers receive proper education about CDM programs and their benefits. This helps the utility achieve greater market penetration with its energy efficiency programs, and helps customers understand potential cost savings and the impact to the environment. To pursue a cost-effective CDM, utilities will need to allocate resources to:

- Recognize the value of energy efficiency;
- Actively seek out lessons learned and best practices from other LDCs;
- Advocate for appropriate policies to support CDM;
- Develop goals that are specific to an LDC’s local situation and circumstances, consistent with results achieved by leading utility programs;
- Include CDM initiatives in asset, operations and financial plans.

WILL THE LOCAL LDC BE ABLE TO.....

MANAGE THE CDM DEMAND REDUCTION REQUIREMENTS FOR THE PERIOD ENDING 2014? WHAT ABOUT THE NEW REQUIREMENTS THAT WILL BE MANDATED STARTING IN 2015?

¹ The National Action Plan on Energy Efficiency (NAPEE)

Drivers of Change Require New, Innovative Collaboration Structures Going Forward



7. TECHNOLOGY IS MOVING SO FAST AND IT IS A CHALLENGE TO ADAPT¹

The pace of adoption of new technologies in the electricity distribution industry has been almost exponential in recent years. This uptick in adoption can be largely attributed to the availability and maturity of an increasing number of new and enhanced enabling technologies including Advanced Metering Infrastructure (AMI), Meter Data Management Systems (MDMS), Outage Management Systems (OMS), Distribution Management Systems (DMS), Enterprise Asset Management (EAM), mobile and more. Increasingly, utilities are implementing multiple smart grid solutions concurrently to obtain the synergies available from broader utility transformation. This is expected to continue into the future as electric utilities continue to take advantage of the capabilities of these and future technology solutions.

The transformative nature of new technologies such as smart grid, micro grid, and distributed generation will challenge the siloed functional organization that many utilities have traditionally used causing new forms of organization, structures and accountabilities to be developed. As technology solutions transition from project implementation to sustainment, significant changes to a utility's technology systems and business processes will have to be implemented. And, depending on the initiative, there are multiple departments that must oversee and operate these transformed systems. This fundamental shift in focus will need to be accepted and embraced by the local LDCs as they continue to provide energy to their customers.

The implementation of technology solutions also presents significant integration and financial challenges for utilities in terms of managing data, integrating business processes and modifying legacy systems to work with new solutions. Business cases need to be developed and challenged as part of the rate setting process with the OEB. The business cases upon which the project is justified routinely requires that the utility break down the isolation of systems and create synergies between the operational systems internally, and more commonly now, on a collaborative basis with neighbourhood or regional LDCs. The new capabilities provided by the enabling technologies—dependent on multiple integrated systems with multiple users in multiple organizations with multiple customer demands—will require LDCs to look at who is doing the work, not just how and where. This results in the need to address areas of job redesign, training and new skills development that will have to be executed and supported by the LDC.

¹ *Black & Veatch*

WILL THE LOCAL LDC BE ABLE TO.....

LEVERAGE CURRENT AND FUTURE DISRUPTIVE TECHNOLOGIES THAT WILL PROMOTE MORE EFFICIENT USE OF RESOURCES TO ULTIMATELY DELIVER INCREASING VALUE TO THE ENGAGED CUSTOMER?

LDC 2.0

Google's recent purchase of Nest Labs for US\$3.2 billion is a transaction that complements the LDC's value proposition to the customer. The three-year-old start-up sells a smart, self learning thermostat with algorithms and sensor technology that is an example of a smart, connected device within the new realm of the Internet of Things (IoT). Buyers of the Nest, claim energy savings of 5% - 60% - imagine the implications for CDM. The path pushing the traditional LDC to become LDC 2.0 is well underway—LDC 2.0 embraces connectivity, mobility, intelligent devices and "real time" participation.

Drivers of Change Require New, Innovative Collaboration Structures Going Forward



8. FINANCIAL RESOURCES ARE FINITE – HOW DO WE FUND THE FUTURE?

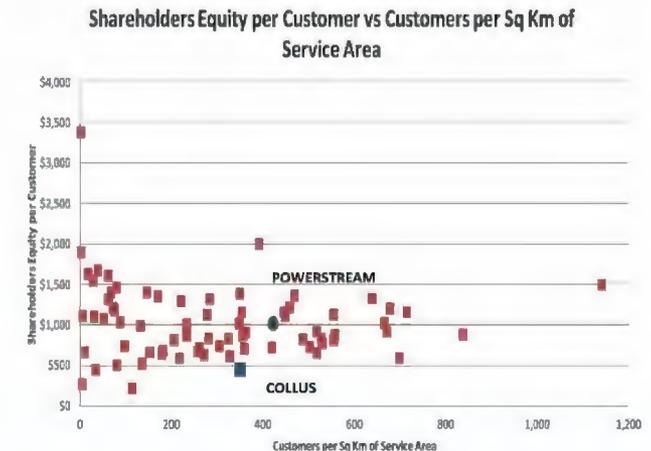
LDCs are grappling with several issues simultaneously, each of which will have major financial impacts—massive reinvestment in the existing delivery infrastructure, implementing the smart grid and its associated technologies and possible declines in kWh sales volume as CDM and distributed generation capabilities take hold in the market. All of this requires a large, diverse long-term investment program that will have significant effects on revenue requirements and rate bases.

As LDCs continue to pursue capital investment programs, they must be able to ensure that the investments are allowed into their rate base by the OEB. Otherwise, the utilities will incur financing costs without offsetting revenues, which will increase overall costs and could negatively impact the financial stability of the business. Similar effects would be felt from widespread adoption of customer owned or sited generation, or any other resources that would tend to lower energy sales by LDCs. These new, micro energy resources could end up having a significant negative impact on the LDCs finances to the extent that they erode retail electricity sales. This effect will be compounded if utilities are also forced to enhance electricity delivery infrastructure and grid operations to manage high penetrations of distributed energy resources.¹

The local LDCs will need to develop robust investment capital programs to ensure a steady, consistent of availability of funds. The Distribution Sector Review Panel quotes a 2011 Conference Board of Canada estimate that \$20.6 billion in investment will be required over the next 20 years, not including additional investment to deal with distributed generation and the smart grid. The panel says that smaller LDCs generally have access to a narrower variety of capital markets and are typically charged higher interest rates and financing costs, a cost that is passed on to customers. The panel states further that the smaller LDCs should be able to turn to private finance, rather than adding to the Province's debt load through Infrastructure Ontario's concessionary-rate loans. However, the private capital markets have not been able to construct bespoke financial solutions to aid the LDC in the current environment.

WILL THE LOCAL LDC BE ABLE TO.....

MANAGE THE FINANCIAL REQUIREMENTS THAT WILL BE NEEDED TO FUND NEW AND REPLACEMENT INFRASTRUCTURE, CDM PROGRAMS, ENABLING TECHNOLOGIES AND STILL PROVIDE DIVIDENDS TO THEIR SHAREHOLDERS?



¹ Moody's Investors Service, "Annual Outlook: U.S. Electric Utilities Face Challenges Beyond Near-Term," January 2010.

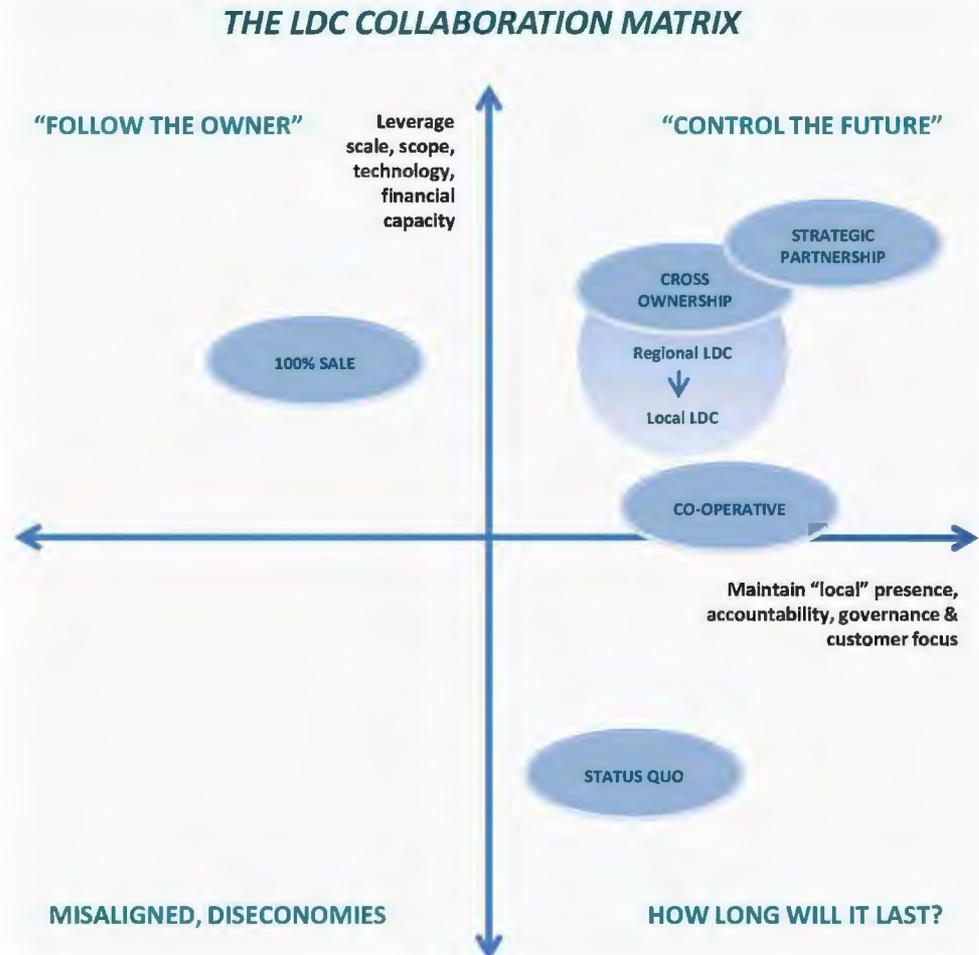
What Are the Options for LDCs to Pursue?



With the release of the Distribution Sector Review Panel's recommendation to promote consolidation in the market, a forward momentum has now gripped the LDC participants to strategize what they are going to do as their neighbours decide to take action. We have attempted to simplify some of the options available to LDCs in the LDC Collaboration Matrix.

- Status Quo:** Continue with the current structure of operations and ownership regardless of changes in the industry.
- Co-Operative:** An informal collaborative structure to benefit from combined purchasing, communal software programs, common servicing arrangements, best practices, continuous improvement and sharing of resources and experiences on an as needed basis. Examples include CHEC and UCS.
- Voluntary Cross-Ownership:** LDCs come together and voluntarily merge their respective corporations into a single entity that allows for common ownership. Examples include PowerStream's merger with Barrie Hydro in 2009.
- 100% Sale to Larger LDC:** Acquirer acquires 100% of the ownership of the target LDC and assumes all operations, governance, employees and assets of the LDC. Examples include the recent proposal by Hydro One to Haldimand County.
- Strategic Partnership:** Partial monetization of a municipal utility yet retains local presence, accountability and employment alongside benefiting from the scale of its partner. Only example in Ontario is Collus PowerStream.

Upon execution and implementation, the parties need to remain focused and diligent to ensure that the original objectives are met, otherwise any structure will have the risk of falling into the "Misaligned, Diseconomies" quadrant of the LDC Collaboration Matrix.



What Are the Options for LDCs to Pursue?



THE DECISION-MAKING PROCESS FOR THE TOWN OF COLLINGWOOD AND COLLUS

In addition to the need to manage the continuing, and at times overwhelming, pace of change in the LDC market in Ontario, a catalyst to assess strategic options for Collus first originated in a Board retreat in 2009. To further the progressive thinking, was also a request from Collingwood Mayor Sandra Cooper who, after taking office in December 2010, challenged all the Town's municipal departments to find new ways to be more efficient and reduce costs without having a negative impact on the municipality's services.

The Town of Collingwood engaged KPMG in February 2011 to do a complete evaluation of the utility and examine possible options for the utility going forward. It quickly became evident that the strategic partnership option was the best fit for the Town of Collingwood, especially with the expected push for additional consolidation of Ontario's distribution sector. Not only would the strategic partnership option provide a cash payment that can be used for municipal purposes, the Town of Collingwood would retain 50% ownership, there would be the potential to achieve savings through synergies, future dividend payments and the additional oversight would help reduce the risks for the municipality to be involved in the electricity distribution business.

In June 2011, the Town of Collingwood Council gave its approval to further pursue the strategic partnership option and a nine person task team consisting of representatives from the municipality and the utility was formed to develop a process and issue a request for proposal (RFP) which outlined the key contributions required of a strategic partner, including:

- 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 the utility's employees
- Continued and substantial presence in the communities served by Collus
- Continued focus on maintaining and enhancing the competitive distribution rate and cost structure of Collus

Strategic Partnership Task Team

*Mayor, Sandra Cooper
Deputy-Mayor, Rick Lloyd
Kim Wingrove, former CAO
Dean Muncaster, Chairman, Collus
David McFadden, Director, Collus
Doug Garbutt, Chair, CPUSB
John Herhalt, KPMG
Ed Houghton, President & CEO
Tim Fryer, former CFO*

What Are the Options for LDCs to Pursue?



SELECTING THE STRATEGIC PARTNERSHIP WITH POWERSTREAM

The Strategic Partnership Task Team approached five LDCs as potential strategic partnership candidates. The RFP was issued to each of them in early October 2011 and four proposals were received by the November 16, 2011 deadline. A comprehensive evaluation matrix was used in order to evaluate the proposals that gave both financial and non-financial criteria for fair consideration.

Proposal Selection Criteria

Criteria	Points
1. Investment for up to 50% of shares	30
2. Provision of strategic and specialized resources and support in growing the Collus business	30
3. Support for employees and their careers	10
4. Customer experience and satisfaction, and supporting the interests of the communities	10
5. Competitive distribution rate and cost structure of Collus	10
6. Cultural and synergistic fit	10
	100

"We were very impressed with how the Town of Collingwood and the Collus Power Board of Directors went about investigating all the possible ownership options and then in conducting a selection process which gave full consideration to the key factors that were in the best interests of all the key stakeholders."

*Brian Bentz, President & CEO
PowerStream*

Each team member was provided the Evaluation Matrix and was responsible to score Selection Criteria 2 – 6; Criteria 1 was common to all proposals and thus scored 30 points in all Evaluations. After all the scores were compiled, PowerStream was the clear choice as Collus' strategic partner.

Criteria	Points	Proposal A	Proposal B	Proposal C	PowerStream
2. Provision of strategic and specialized resources and support in growing the Collus business	30	200	120	105	265
3. Support for employees and their careers	10	65	49	55	80
4. Customer experience and satisfaction, and supporting the interests of the communities	10	75	44	81	89
5. Competitive distribution rate and cost structure of Collus	10	81	37	71	76
6. Cultural and synergistic fit	10	63	38	43	88
	70	484	288	455	598

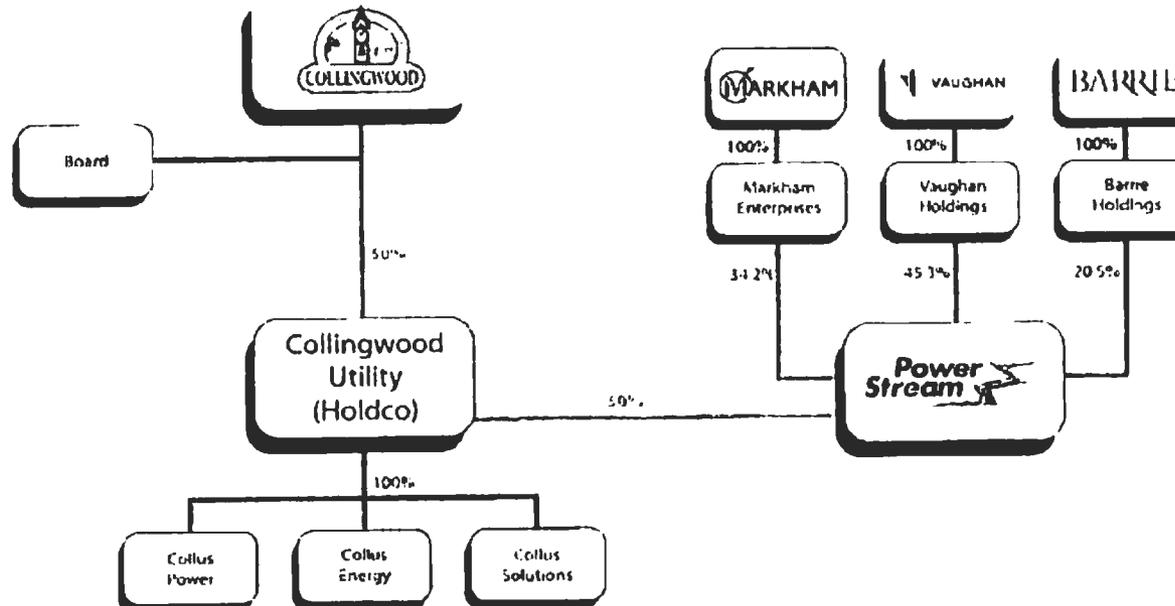
What Are the Options for LDCs to Pursue?



OWNERSHIP STRUCTURE POST-TRANSACTION

On March 6, 2012, Collingwood and PowerStream signed a Share Purchase Agreement in which PowerStream agreed to purchase and Collingwood agreed to sell 50% of the common shares of Collingwood Utility for cash consideration. Collingwood Utility is a non-regulated holding company and owns 100% of Collus Power, which holds Electricity Distribution Licence ED-2002-0518.

Following the transaction, Collingwood and PowerStream each appointed 50% of the Board of Directors of Collingwood Utility and the Chair does not possess a second vote in the event of a tie. As such, neither PowerStream nor Collingwood will have control over Collus PowerStream.



Collus Power and PowerStream Inc. continue to operate as individual corporations under the current distribution licences. Since Collus PowerStream and PowerStream remain as two separate entities, there is no need for a rate harmonization process. The transaction was cost neutral for the customers of Collus Power Stream and there was no change in the distribution rates resulting from the transaction.

What Are the Options for LDCs to Pursue?



MANAGING THE TRANSITION BY FINALIZING A MASTER SHARED SERVICES AGREEMENT

Collus and PowerStream decided to move forward to create a comprehensive Master Shared Services Agreement (MSSA) that is to include very specific Statements of Work that outlines requirements, roles and responsibilities and deliverables. A team was assembled that was sponsored by the CEO of Collus Ed Houghton and the CEO of PowerStream Brian Bentz.

In order to make the process of selecting a list of services not cumbersome, the team focused on priority items to stage the services accordingly. The terms of the MSSA covered all legal terms and conditions and was executed on July 26, 2013 and covers a five-year term from January 1, 2013 to December 31, 2017.

Master Service Level Agreement Timeline

Task	Time
Identify potential services offered by PowerStream that can be leveraged by Collus	April 30
Internal scope of work and associated costs	May 30
Assess Collus' needs referenced by affordability	June 30
Draft the Master Shared Services Agreement	June 30
Negotiate, approve and execute the Master Shared Services Agreement	July 26
Approval and execute the Master Shared Services Agreement	July 26

Then each targeted specific service was discussed, negotiated and finalized into an agreed Statement of Work. A Transition Timetable was put together to manage the implementation of each Statement of Work.

Statement of Work Implementation Timeline

Area	Scope of Work	Time
Conservation and Demand Management	CDM Delivery Program	May 1
Regulatory	2013 Cost of Services and IRM Support	January 1
Finance	IFRS Implementation Support	June 15
Operations	Control Room After-Hours Dispatch – Phase 1	October 1
Corporate Services	Health and Safety Support	October 1

What Are the Options for LDCs to Pursue?



MYTHS AND FACTS ABOUT THE COLLUS POWERSTREAM STRATEGIC PARTNERSHIP

As the process unfolded to complete this Review of the strategic partnership between Collus PowerStream and PowerStream, external stakeholders were commenting that there are misconceptions in the industry in terms of the actual deal structure, operational processes, shared systems, governance protocols, employee consequences and collaboration attempts. Below is a simple “Myth and Fact” chart to provide some clarity and guidance to the LDC community.

MYTH	FACT
1. “It is just another merger.”	PowerStream acquired 50% of the shares of Collus from the Town of Collingwood in exchange for cash proceeds that benefited the municipality directly. Subsequent to the July 2012 transaction, Collus and PowerStream each operate separate and distinct businesses, each with its own licence and rate base. Operations, finances, employees and governance were not unified nor commingled into one combined legal entity.
2. PowerStream controls Collus PowerStream and major decisions are made in Vaughan.	Collingwood and PowerStream each appointed 50% of the Board of Directors and the Chair does not possess a second vote in the event of a tie. As such, neither PowerStream nor Collingwood have voting control over Collus PowerStream.
3. Collus PowerStream is no longer a “small” LDC serving the needs of the local customer, community and its employees.	Collus PowerStream still remains a “small” LDC providing service to its population of 16,000 customers from its office on 43 Stewart Drive in Collingwood with the same employee base that it had prior to the strategic partnership transaction. In fact, being partnered with PowerStream now provides Collus a unique perspective when sharing experiences with other “small” LDCs.
4. Collus PowerStream employees are really employees of PowerStream.	Collus PowerStream employees are still employees of Collus PowerStream and are managed by the Collus PowerStream leadership team.
5. The relationship between Collus PowerStream and PowerStream is just a shared services arrangement.	As part of the strategic partnership there is indeed a master shared service agreement (MSSA) that continues to evolve as the needs of Collus are addressed by the capacity and capabilities of PowerStream. Nevertheless, the MSSA is only one component of the strategic partnership.
6. Collus PowerStream has now lost its roots in the community.	Collus PowerStream continues to be active in the community and has never lost the rich heritage that the utility has built since the early 1860s when the Town’s first streetlights were illuminating Hurontario Street’s plank walkways. In fact, the cash proceeds from the strategic partnership transaction was able to fund capital projects to further enhance the connections and relationships amongst the people of the community it serves.
7. The needs of the Collus PowerStream customers are being commingled with the needs of the PowerStream customer and are no longer locally focused.	The needs of the Collus PowerStream customer are served directly by the employees of Collus PowerStream.
8. Collus PowerStream information systems are run on PowerStream systems and no longer have control.	Collus PowerStream still controls all of its information systems, data and technology and now has the bench strength of experts at PowerStream to assist when required.
9. The cash proceeds from the sale of 50% of the Collus shares to PowerStream were encumbered and “had strings attached.”	There was absolutely no encumbrances on the cash proceeds paid for by PowerStream to acquire 50% of the shares of Collus from the Town of Collingwood.
10. The details of the transaction have not been fully disclosed and communicated.	Details of the Collus PowerStream transaction have been provided to the OEB and passed through all the regulatory gates in order to be approved. Nonetheless, Collus PowerStream agrees that it should have executed a more effective and comprehensive communication strategy to all stakeholders, including the other LDCs in the market.

Benefits and Successes of the Strategic Partnership



BENEFITS REALIZED FROM THE STRATEGIC PARTNERSHIP

1. **Complimentary Vision, Mission and Values.** Collus and PowerStream each have a strategic vision, mission and values that compliments each other to describe their future as a regulated electric utility. This will enable the company to effectively implement its business plan to deliver clean, affordable and reliable energy to its customers.
2. **Platform to Leverage Scale.** Ability to leverage the size of PowerStream's operations and diversity compared to those of Collus PowerStream on a standalone basis. To provide (i) enhanced operational stability, (ii) greater ability to execute Conservation and Demand Management programs, (iii) greater ability to validate business strategy execution risk with a leading, large LDC, (iv) increase asset utilization and share reinvestment programs, (v) a stronger voice in shaping Provincial energy and economic development policies, and (vi) allow for additional options for future potential strategic transactions.
3. **Complementary Geographic Coverage and Potential Future Diversity.** Ability to take advantage of balanced coverage throughout Central Ontario, where Collus PowerStream and PowerStream have complementary geographic coverage. In addition, Collus PowerStream sees value and potential in augmenting its geographic diversity with strategically partnering with other adjacent LDCs to create increases in scale and scope.
4. **Employee Engagement and Combined Expertise.** Will combine complementary areas of expertise drawing on the intellectual capital, technical expertise and experience of a deeper and more diverse workforce.
5. **Value to Our Customers.** As with all business combinations, there was a definite concern regarding how the strategic partnership would impact the customer – potential results could be negative, positive or have no real visibility to the customer. Considering that the strategic partnership has continued to allow Collus PowerStream to have local presence, local accountability and local customer servicing the impact of the strategic partnership has been seamless in the face of the customer throughout 2012 and 2013.

“This is a tremendous day for Collus PowerStream’s customers and the communities it serves. The closing of this agreement is the culmination of a great deal of hard work by many individuals and we are very pleased with this announcement. Both I and members of council are appreciative of everyone’s efforts to finalize this agreement that will help us be more efficient and cost-effective for customers being served by this new utility.”

*Town of Collingwood Mayor,
Sandra Cooper*

Benefits and Successes of the Strategic Partnership



6. **Leverage Key Advancements in Future Technologies.** PowerStream's constant pursuit of developing and implementing innovative technologies to positively impact costs, services and value to the customer will be a key leverage point for Collus PowerStream, who would not be able to progress as quickly—and as effectively—on the steepening technology curve if it was operating as a stand-alone utility.
7. **Cash Proceeds from Sale of Shares and Dividend Recapitalization.** As part of the transaction with PowerStream, the Town of Collingwood received cash proceeds as consideration for 50% of the common shares of the company and a further cash injection of millions in cash as a unique dividend recapitalization that only PowerStream included as part of their response to the RFP.
8. **Increased Financial and Operational Stability.** By having PowerStream as a 50% owner, the company has aligned with a LDC that employs over 550 people to assist Collus PowerStream, and has stable and consistent cash flows earning net income of \$28 million in 2012 and a strong balance sheet with over \$345 million in shareholders' equity.
9. **Leveraging the Collus PowerStream Strategic Partnership in Ontario's LDC Market.** The strategic partnership between Collus PowerStream and PowerStream is an example of an innovative, collaborative structure that can be an option for other local LDCs to understand and discuss as they determine the most appropriate path for their LDC in the future.

"We are pleased to welcome the Town of Collingwood as our partner in delivering utility services to customers in the area. The strategic partnership we have forged demonstrates outstanding leadership by both our organizations in developing a framework for collaboration that we believe could easily be adopted by others in our industry."

*Frank Scarpitti
PowerStream Director and
City of Markham Mayor*



Traffic lights were installed on Hurontario Street in 1948, at the intersections First, Second, Third and Hume streets to control increasing automobile traffic.

Benefits and Successes of the Strategic Partnership



BENEFIT 1: COMPLIMENTARY VISION, MISSION AND VALUES

As part of our RFP process, a key criteria was to ensure that our partner has a shared vision with respect to delivering value to customers, the engagement of its people and the importance of their career development, the emphasis to encourage and promote innovation in everything that we do and truly be a world class organization delivering excellence everyday throughout the organization, the communities being served and to our shareholders.

COLLUS POWERSTREAM

Vision

Together, we will grow, maximize opportunities and exceed customers' and shareholders' expectations

Mission

Our business provides people with the energy for success, and with the necessities of life

Values

We value the entrepreneurial spirit to responsibly and decisively challenge the conventional



POWERSTREAM

Vision

We will be a socially responsible company, committed to the environment and sustainable growth, leading the way into the future with boldness, innovation and industry best-in-class performance

Mission

To deliver reliable power and related services safely and efficiently to support our customers' quality of life and to provide value to our shareholders and the communities we serve.

Values

Respect, Teamwork, Performance, Accountability, Initiative

The similarities of each partner's Vision, Mission and Values provided a clear roadmap that each partner will contribute complimentary goals, objectives and underlying values to serve as a platform to transition both entities into the strategic partnership. Without the sharing of a complimentary platform, any business combination will be prone to have challenges that perhaps cannot be overcome since the attributes to effectively manage the business are differing or even competing. With the case of Collus PowerStream and PowerStream, the complimentary Vision, Mission and Values provided a concrete foundation from which to engage the transition, develop a framework for a successful long-term partnership and provide the resources to implement its complementary business plans.

Benefits and Successes of the Strategic Partnership



BENEFIT 2: PLATFORM TO LEVERAGE SCALE

As explained in the EDA's report, *The Power to Deliver*, in response to the Distribution Sector Review Panel recommendations, the efficiency of a distribution utility and industry structure is affected by the scale of its operations. Generally, one would expect larger distribution utilities to be more efficient, that is, until the utility has achieved sufficient size.¹ The size of PowerStream makes it the 3rd largest LDC in Ontario and, through its innovation, growth and experiences, it has become a world class company that has indeed thrived on achieving efficiencies due to its scale and constant focus on innovation. Note that such a statement is not just focused on efficiencies as it pertains to cost reduction but also the ability to improve upon quality of service, enhancing the customer experience, building employee satisfaction and engagement, reliability of electricity delivery, improvements in health and safety, advances in enabling technologies and community support.

Since the strategic partnership, Collus has been able to leverage the benefits of PowerStream's size and scale in several key areas of the business; specifically:

- Case Study A: Control Room and After-Hours Dispatch
- Case Study B: Health and Safety Support
- Case Study C: Conservation and Demand Management (CDM) Program Delivery
- Case Study D: Regulatory Support
- Case Study E: Conversion to International Financial Reporting Standards (IFRS) Support
- Case Study F: Human Resource Process and Policy Support

In each of the above areas, the Collus team has been able to connect with a counterparty at PowerStream, get their undivided attention to listen to a particular circumstance and be able to dialogue to develop a practical and efficient solution that can be immediately implemented at Collus. Sometimes, it can be a simple phone call asking for the contact info for a supplier that provides fire retardant clothing to PowerStream, or at other times it can be a more robust request to help plan and implement a peaksaver PLUS marketing campaign in order to achieve the required provincial requirements. In effect, the relationship has allowed Collus to benefit from an experienced, knowledgeable workforce of 555 dedicated, engaged PowerStream employees.



QUICK FACTS (2012)

Customers: **340,343**

Population served: **1,026,559**

Service area: **806 km sq**

Kilometers of line: **7,466**

kWh purchased: **8,776,522,011**

Capital additions: **\$111,050,245**

Employees: **555**

Revenue: **\$968.0 million**

Net Income: **\$28.7 million**

System reliability Index: **99.99%**

Hours without lost-time injury: **300,000**

Solar energy production: **8.7 MW**

Vehicle-to-home (V2H) power supply technology

¹ *The Power to Deliver, Options for the Future of Electricity Distribution in Ontario*, Electricity Distributors Association

Benefits and Successes of the Strategic Partnership



BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study A: Control Room and After-Hours Dispatch

CHALLENGE

Collus PowerStream needed to increase the efficiency and cost effectiveness to serve its existing customers after-hours considering the Collus PowerStream office closes at 4:30pm and the only solution for after-hours dispatch was a traditional call answering service similar to the types used by doctors and tradesmen.

SOLUTION

Transfer the existing after-hours dispatch services from Collus PowerStream to PowerStream. A phased approach was developed to facilitate the transfer of the after-hours dispatch services and further control room integration.

BENEFITS AND SUCCESSES

- PowerStream now provides control room monitoring and dispatch services including MAYDAY support to Collus PowerStream covering evenings, weekends and holidays.
- PowerStream System Controllers at the control room will answer trouble calls, identify locations, ping customer meters and log the calls using the System Control Log designed by Collus.
- The Collus On Call Lineman will be contacted by the System Controllers and provided with details on the call and will respond to the trouble call using existing Collus procedures. The Collus On Call crew will call into PowerStream's Control Room first when on site and again when the trouble call has been cleared.
- MAYDAY Support – in the event of an emergency, emergency services will be contacted with the nature and location of the MAYDAY and PowerStream will ensure that there will always be a knowledgeable operator available when crews are in the field. Also provide MAYDAY practice drill with Collus field staff and the PowerStream system operators in the Control Room to ensure that all participants are properly trained control room procedures and responses.
- Anticipated in May 2014, PowerStream system controllers will be oversee the Collus Electrical Grid and/or SCADA system and be able to issue work protection such as Hold Offs.



PowerStream state-of-the-art Control Room

Benefits and Successes of the Strategic Partnership



BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study B: Health and Safety

CHALLENGE

Collus PowerStream needed to streamline and strengthen its existing health and safety practices.

SOLUTION

Collus PowerStream approached PowerStream in the summer of 2013 to seek Health and Safety support services.

BENEFITS AND SUCCESSES

1. Health & Safety Resource Person:

- Deliver Safety Meeting presentations on current safety topics customized to Collus needs and/or provide Safety Meeting presentations built to meet the needs of Collus for delivery by Collus personnel.
- Provide regular Site and Crew Visits support including reporting of site inspection findings; and
- Review Tailboard reports and provide other consultative services as required and agreed upon by both parties.

2. Health and Safety Procedures:

- Provide support for the development, revising and updating of work procedures that meet the specific needs of Collus.
- Collus will have access to PowerStream Health and Safety procedures, Tailboard forms, Site Inspection forms and incident forms (Concerns, Injury, Vehicle Accident, etc.)

From: Mark Henderson
Sent: January-09-13 10:31 AM
To: 'Larry Irwin'
Cc: John McClean; Tom Long
Subject: RE: Inquiry

Hi Larry, thanks for your message and happy new year to you as well. We'd be happy to host some of your Ops team members for a Control room Tour. Please feel free to contact John McClean our VP, Operations directly to set up a date and time and he or one his management team staff will conduct the tour and answer questions. I've spoken to John and copied him on this e-mail so you can reach out to him via e-mail (or direct phone is 905-532-4491).

In terms of SOP's, I'm attaching our standardized blank templates we use for Policies and Procedures as a reference. We have a large number of operational policies and procedures developed and in varying stages of integration from their predecessor utilities to a PowerStream standard. This has been an ongoing project for several years and we are happy to share what we have with you.

I thought the standardized blank templates might be a good starting point and if you would like to access more of these I'd recommend connecting with Tom Long, our Manager, Operational Improvement who can help you get what you need. I've spoken to Tom directly and copied him on this e-mail so you can reach out to him as well (direct phone is 905-532-1056).

I hope this response is helpful and we look forward to working with and assisting you and your team over the course of 2013. All the best.

Mark

Real example of the quick, ready correspondence by PowerStream to support Collus

Benefits and Successes of the Strategic Partnership



BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study B: Health and Safety, continued

4. Further assistance with:

- a) Incident and Accident Investigation. PowerStream provides support for conducting incident investigation when a major incident occurs, including conducting interviews, performing analysis of incident and producing reports and recommendations for improvement.
- b) Tracking Incident Reports and Producing Dashboard Reports – INTELEX. Leveraging INTELEX software suite to track incident reporting, produce dashboard of incident indices and provide support to INTELEX to reduce risk in the workplace at Collus PowerStream.
- c) Safety Meetings and Safety Statistics. Leverage INTELEX to track regular Safety Meetings for inside and outside staff and potentially weekly Safety Stats for outside staff.
- d) Training and Skill Development Support. Develop Training Matrixes for outside trade staff and provide training support for the delivery of identified training. Leverage INTELEX to track and report on individual training records of training identified in the applicable Training Matrixes.



Procedure No. 14.7

Page 1 of 5

Issue Date: 11/11/2011
Revision: NEW

SAMPLE EXCERPT

Responsibilities for complying with Regulation 555/06 of the Highway Traffic Act. Reporting of the number of hours our workers are **on duty** and **driving** our CVOR registered vehicles.

The employee will comply with the regulation and this procedure including timely/immediate reporting of:

- the daily on-duty and off-duty hours commuting time when driving the on-call vehicle to and from the work centre (Personal Use Exemption)
- when their on-duty hours are about to exceed 13 hours in a shift
- when their total on-duty hours with-in the rolling 7-day time period are about to exceed 67.5 hours

- The employee must not work past 14 hours during a shift unless an emergency situation has been first approved by their supervisor or manager.

When they approach 13 hours of on-duty time, in a 24-hour period between normal start times, the **employee will notify their supervisor**, during regular working hours, and will contact the System Control outside normal business hours and request replacements be contacted to relieve them so they do not exceed the requirements of the regulation MTO-555/06.

The employee must not work past 70 hours in a rolling 7-day period unless they first get approval from their supervisor or manager.

When they approach 67.5 hours of on-duty time, in a rolling 7-day cycle, **the employee will notify their supervisor**, during regular working hours, and will contact the System Control outside normal business hours and request replacements be contacted to relieve them.

After 14 to 16 hours of on-duty time, the **worker cannot come back to work** until they have a **minimum of 8 continuous hours of 'off-duty' time** and in most cases **10 continuous hours of 'off-duty' time**.

After 70 hours they must be 'off-duty' for 36 continuous hours.

Benefits and Successes of the Strategic Partnership



BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study C: Conservation and Demand Management (CDM) Program Support

CHALLENGE

Collus PowerStream was given a regulatory target of 3.14 MW peak demand savings by 2014 and a 2011-2014 cumulative energy savings of 14.97 GWh. Collus was challenged by resource constraints that would make it unlikely that Collus PowerStream would be able to achieve the regulatory targets.

SOLUTION

Work with PowerStream to develop a key action plan and resource commitment in order for Collus PowerStream to achieve its regulatory targets.

BENEFITS AND SUCCESSES

On May 1, 2013, Collus PowerStream approved the CDM services to be provided by PowerStream to Collus PowerStream, including:

- | | |
|---|--|
| 1. Marketing, promotional and outreach Services | 5. Project implementation |
| 2. Customer service and customer support | 6. Quality assurance and quality control |
| 3. Customer enrolment and sign-up | 7. Settlement with the OPA |
| 4. Application review, processing and approval | 8. Reporting to OPA and OEB |

In terms of specific deliverables, the following are a number of PowerStream's anticipated deliverables and their anticipated timelines:

- | | |
|--|---------------------------------------|
| 1. Launch peaksaver PLUS | August 29, 2013 |
| 2. Small Business Lighting marketing campaign launch | September 2013 |
| 3. Marketing plan execution | Aug/Dec 2013, Jan/Dec 2014 |
| 4. Deliver quarterly progress reports to Collus | Jan, April, July, Oct 2014 & Jan 2015 |
| 5. Develop 2012, 2013 and 2014 Annual Report for the OEB | September 2013, 2014, 2015 |

"The strategic partnership which has been formed between Collus PowerStream and PowerStream has been to me and my position as Manager, Billing and Regulatory at Collus PowerStream, a huge asset. My position involves interacting with various departments and requires a large knowledge base. At a small utility we do not have the ability to "specialize" in any one area. Through our strategic partnership we are able to leverage the specialized knowledge and resources of the staff at PowerStream. The strategic partnership has already produced great results to Collus PowerStream through our Cost of Service application and now in the management of the OPA's saveONenergy Conservation and Demand Management programs."

Glen McAllister, Collus PowerStream,
Manager, Billing and Regulatory

Benefits and Successes of the Strategic Partnership



BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study C: Conservation and Demand Management (CDM) Program Support, continued

As part of the shared services agreement, PowerStream provided Collus PowerStream one dedicated PowerStream employee dedicated to CDM to work full-time alongside Glen McAllister, Manager Billing, Regulatory and CDM. Historically, Glenn had only been able to commit approximately 15% of his time in efforts to promote CDM within the Collus community and customer base which essentially challenged the success of the program as outlined by the OPA and OEB.

In May, Elizabeth Kay from PowerStream was assigned as a dedicated resource to work exclusively with Glen and help manage the Collus PowerStream CDM efforts and initiatives. Further, Elizabeth still has the ability and encouragement to leverage the approximately 30 people at PowerStream who are solely focused on achieving best-in-class CDM programs.

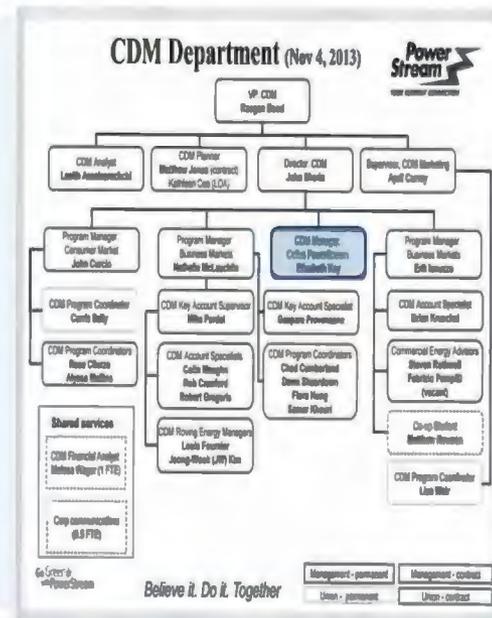
**Collus PowerStream, Glen McAllister
Time Distribution**



ELIZABETH KAY, CDM Manager, PowerStream,

Collus Powerstream Dedicated Resource

Responsible for managing and coordinating the delivery of Provincial Conservation and Demand Management (CDM) Programs within the Collus PowerStream service territory. The CDM Manager will coordinate with PowerStream’s CDM Program Managers to leverage and apply PowerStream’s existing delivery strategies/tactics/processes within the Collus PowerStream area. See Appendix B for detailed job description.



COLLUS POWERSTREAM IS ABLE TO LEVERAGE A WORLD-CLASS CDM TEAM OF 30 EXPERIENCED, DEDICATED PROFESSIONALS

Benefits and Successes of the Strategic Partnership



BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study D: Mobilize and Execute the peaksaver PLUS Initiative

CHALLENGE

Collus PowerStream had limited time and resources to effectively mobilize and execute the peaksaver PLUS program. Collus PowerStream knows that this can jeopardize it from achieving its required demand reduction targets set by the OEB.

SOLUTION

Work with PowerStream to support the peaksaver PLUS initiative by leveraging PowerStream's existing third-party service contract without the need for an exhaustive tendering process, utilize Elizabeth to orchestrate and manage the complete project and "piggy-back" on PowerStream's customized, OPA-approved marketing materials. As a comparable, PowerStream's mandatory CDM conservation targets is to achieve approximately 96MW of peak demand savings and 407 GWh of energy savings over the 2011 – 2014 period. Hence, PowerStream invested approximately \$18 million of the OPA funds, to promote and deliver the full suite of the provincial 'saveONenergy' conservation programs. In 2012, more than 6,200 customers enrolled in the peaksaver PLUS program.

A detailed Action Plan chart, illustrated below, was assembled by Collus and PowerStream to define tasks and responsibilities in order to achieve its forecasted goal of engaging 100 participants in Q4.

Element	PowerStream	Collus PowerStream
Hire third-party service provider	<ul style="list-style-type: none"> Develop and execute a contract between Collus PowerStream and service provider to deliver program contract with current peaksaver PLUS service provider to include Collus service territory Select and aggregator and inform OPA 	Review contract and provide comments
Manage third-party service provider	<ul style="list-style-type: none"> Oversee service provider's daily operation Review weekly/monthly reports Meet service provider regularly 	Pay service provider
Marketing / Outreach	<ul style="list-style-type: none"> Promote peaksaver PLUS to all eligible participants via mass marketing, direct marketing, print ads, and/or community events Hire and pay marketing firm, if necessary 	<ul style="list-style-type: none"> Support community events Review and approve marketing materials
Customer Care	<ul style="list-style-type: none"> Assist potential participants in understanding peaksaver PLUS 	<ul style="list-style-type: none"> Forward customer inquiries to PowerStream and/or service provider
Reporting / Settlement with OPA /OEB	<ul style="list-style-type: none"> Create pre-billing report and submit invoices for completed installations via OPA's CRM Develop OEB annual report, OPA's PAB report and OPA's QA/QC report 	<ul style="list-style-type: none"> Review and submit OEB annual report, PAB report and QA/QC report

Benefits and Successes of the Strategic Partnership

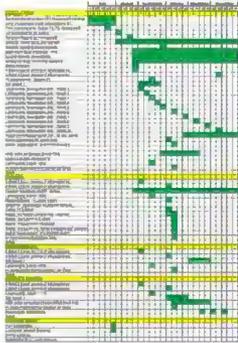


BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study D: Mobilize and Execute the peaksaver PLUS Initiative, continued

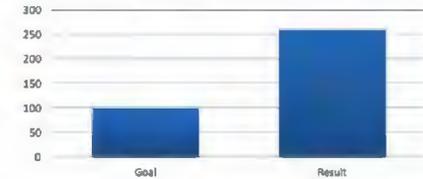
BENEFITS AND SUCCESSES

Collus PowerStream was able to be “fast tracked into the program” by leveraging PowerStream’s existing third-party contract which only required the PowerStream contract to be amended to include the Collus PowerStream service territory. Such simplicity and effectiveness, provided an expedited solution that reduced the amount of time and dollars spent to get the program launched and achieve a 160% improvement over its baseline forecast of 100 participants by the end of 2013. It is estimated that PowerStream spent approximately \$150,000 or so, which went into account management; creative development; copy writing and imagery that Collus was able to immediately leverage and benefit from accordingly.



Event	Event Date	Quantity
Event #1	December 30, 2013	Already printed
Event #2	January 27, 2014	17,000 for printing \$1,100,000 \$1,100 2% average
Event #3	February 24, 2014	17,000 for printing \$1,100,000 \$1,100 2% average
Event #4	March 24, 2014	17,000 for printing \$1,100,000 \$1,100 2% average

SUCCESS OF THE PEAKSAVER PLUS PROGRAM



Effective day-to-day program management spearheaded by Elizabeth provided a consistent, focused approach to reaping the benefits of the peaksaver PLUS initiative leveraging the people in the PowerStream CDM group.

Collus PowerStream was able to leverage the existing contract between PowerStream and Honeywell so that time and dollars were not needed to tender a best-in-class service provider.

The provincial peaksaver PLUS program had ready-made templates for LDCs to utilize as part of their local campaigns. Instead, PowerStream planned, developed and executed their own customized peaksaver PLUS marketing materials including focus groups, sample tests and procuring OPA approvals. Collus was able to leverage and “piggy back” on all the PowerStream marketing materials by simply changing the corporate logos.

Prior to PowerStream’s support, the peaksaver PLUS initiative had its challenges to maximize impact in the market. By leveraging the people, capabilities and existing contracts of PowerStream, Collus was able to achieve a 160% increase in its 2013 Q4 goals.

Benefits and Successes of the Strategic Partnership



BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study E: Regulatory Support to File the 2013 Cost of Services Application and the IRM Application

CHALLENGE

Collus PowerStream had applied to the OEB to have its rates rebased in 2013. During the time of assembling the Cost of Services application in 2012, Collus PowerStream experienced management changeover and a new CFO was appointed. Considering that there was no longer any management continuity in preparing the Cost of Services application to date, Collus PowerStream needed support to finalize the application efficiently and properly.

SOLUTION

Collus PowerStream approached PowerStream in late 2012 for regulatory support services in need for its 2013 Cost of Services application process on a time and material basis.

BENEFITS AND SUCCESSES

PowerStream provided various services to Collus PowerStream including the invaluable assistance of PowerStream's Rate & Applications department, in order to complete the 2013 Cost of Services application and subsequent filing for the Board's Incentive Regulation Mechanism (IRM). Specifically,

"In response to the changing electricity industry, increasing regulatory demands and the political environment, our company made a proactive step to ensure, shape, and control our own future by partnering and becoming Collus PowerStream. We now have a stronger foundation from which to achieve higher levels of customer service, productivity, and efficiency."

Cindy Shuttleworth, Collus PowerStream, Chief Financial Officer

2013 Cost of Service Application

- Develop EDR Model
- Cost allocation model support
- Develop depreciation schedule
- Develop fixed asset schedule
- Prepare, review and modify filing evidence as required
- Prepare and review Interrogatory responses
- Support technical conference
- Support settlement conference

IRM Application

- IRM model update and testing
- Review deferral variance accounts
- Update retail transmission service rate model
- ITM filing preparation support

The PowerStream time and resources used to facilitate the successful completion of the 2013 Cost of Services Application and the IRM Application was billed to Collus PowerStream at a surprisingly low amount of \$37,000. Based on management's estimates, typical billings for the project completed by PowerStream would be approximately \$150,000, which was an incredible cost saving, as well as knowing that the deliverables were properly completed by the well-established team of regulatory professionals at PowerStream.

Benefits and Successes of the Strategic Partnership



BENEFIT 2: PLATFORM TO LEVERAGE SCALE

Case Study F: Human Resource Process and Policy Support

CHALLENGE

Limited resources being able to be focused on providing a comprehensive package of policies and procedures for the Collus PowerStream work force.

SOLUTION

Collus PowerStream approached PowerStream in 2013 to request a comprehensive library of human resource policies, forms and procedures to ensure a complete set that can be leveraged for most circumstances encountered by Collus PowerStream to support its employees.

BENEFITS AND SUCCESSES

PowerStream provided to Collus PowerStream a library of human resource policies, forms and procedures. Otherwise, Collus PowerStream would have needed to spend significant dollars to either acquire or hire a consultant to provide the equivalent. A sample of policies provided by PowerStream include:

- CORPORATE LONG DISTANCE POLICY
- CORPORATE PAID WIRELESS SERVICES POLICY
- CUSTOMER PRIVACY POLICY
- AFTER HOURS AND PERSONAL USE OF VEHICLES
- POLICY AND PROCEDURES DEFINITION
- GOLF POLICY
- SUMMER CASUAL DRESS CODE
- ANNUAL FITNESS HEALTHY LIVING MEMBERSHIP
- RECOGNITION OF SIGNIFICANT EVENTS
- ABSENCES
- OVERTIME POLICY
- CONTINUOUS LEARNING
- WORKPLACE HARASSMENT
- CONSUMER SECURITY DEPOSIT
- PRIORITY OF LOAD POLICY
- EMPLOYEE BUSINESS EXPENSES
- APPROVAL POLICY
- VACATION AND RECOGNIZED HOLIDAYS POLICY
- HOURS OF WORK
- JOB EVALUATION POLICY
- REFERENCE CHECKS
- EMPLOYMENT OF RELATIVES
- PERFORMANCE MANAGEMENT
- PROGRESSIVE DISCIPLINE POLICY FOR UNIONIZED EMPLOYEES
- MEDIA RELATIONS POLICY
- IT SECURITY POLICY
- ELECTRONIC MAIL MANAGEMENT & ACCEPTABLE USE
- EXECUTIVE DEVELOPMENT PROGRAM
- SMOKING POLICY
- PROCUREMENT POLICY
- RECORDS RETENTION POLICY
- BEREAVEMENT AND ILLNESS POLICY
- DIVERSITY POLICY
- MILEAGE ALLOWANCE
- CYBER SECURITY POLICY AND OPERATIONS
- HEALTHY WORKPLACE POLICY
- CONTINUOUS IMPROVEMENT AND INNOVATION
- WORKPLACE VIOLENCE
- SOCIAL MEDIA POLICY
- GPS POLICY
- PETTY CASH POLICY
- SUSPENSION OF DRIVERS LICENCE
- BUSINESS CONTINUITY PLAN
- BANKING SERVICES POLICY
- CASH MANAGEMENT POLICY INVESTING
- CLOUD COMPUTING POLICY

“I am very pleased with the professionalism, commitment and quality of information that PowerStream provides us. The partnership has ensured that Collus PowerStream’s team of dedicated, highly skilled, and passionate employees will be able to continue to provide excellent service to its customers. PowerStream provides us with a wealth of knowledge that we can draw upon as we continue to grow and face business opportunities and challenges.”

Pam Hogg, Collus PowerStream, Executive Assistant to the President & CEO, Manager, Human Resources and Board Secretary

Benefits and Successes of the Strategic Partnership

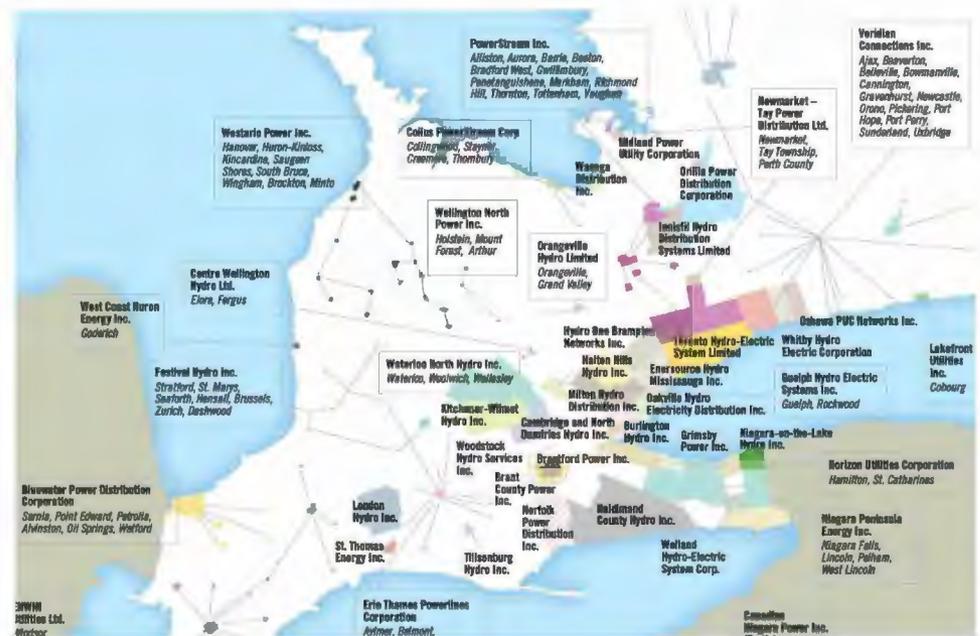


BENEFIT 3: COMPLEMENTARY GEOGRAPHIC COVERAGE AND POTENTIAL FUTURE DIVERSITY

As the Distribution Sector Review Panel report observes, “[a] number of utilities serve a patchwork of widely separated areas with non-contiguous boundaries. They include for example, Veridian Connections, Erie Thames Powerlines, and Entegrus Powerlines. In most cases the intervening territory between these non-contiguous areas is served by Hydro One Networks. ... At the same time, a number of municipalities have multiple distributors serving residents within their municipal boundaries, ... such as Thornton, a village near Lake Simcoe with 1,000 inhabitants, where the service areas of three separate LDCs converge, namely Hydro One Networks, PowerStream and Innisfil Hydro.”

“Speaking at the Distribution Sector Review Panel’s presentation to the Ontario Energy Network January 15, Murray Elston said that it was clear from the earliest stages, in discussions with stakeholders, that the model the stakeholders themselves, including the Electricity Distributors Association, had in mind involved contiguous areas. The panel became convinced that cutting down on the number of border areas between the territories of LDCs serving major urban areas, and eliminating spaces between such territories, will remove duplication and result in savings.”¹

In the Collus PowerStream and PowerStream strategic partnership, albeit not strictly contiguous in its service areas, there is indeed overlap within the Central Ontario region of electricity distribution. The geographic coverage provides further opportunity to partner with other LDCs within Central Ontario to work together to ascertain if there are reasonable, complementary collaboration models to benefit from the common use of control facilities, equipment yards, substations and maintenance crew routes. The collaboration can take many forms with the objectives to create sustainable efficiencies in its field operations, asset utilization, maintenance and replacement and leveraging smart grid technologies all in the effort to provide reliable service to the customer base within a capital efficient model.



Map from IESO

¹ *Distribution Under Debate Proposals for LDC Reform raise Hopes and Hackles*, APPRO, Stephen Kishewitsch and Jake Brooks, February 2013

Benefits and Successes of the Strategic Partnership



BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

Once the strategic partnership transaction was finalized and the dust settled, it was very clear that there was a considerable, positive momentum that began to sweep throughout the Collus PowerStream operations. Traditionally, most corporate business combinations are characterized by chaos, fear, uncertainty, distraction and limitation. This was not the case for Collus PowerStream. A Forbes 500 study asked CEOs why merger synergies are not achieved and the first in their list of “failure factors” was “incompatible cultures,” and three of the top six factors were all related to culture—and by derivative—were all related to creating a sustainable foundation to support the people of the organization.¹

In order to capture the perspective of the people as it pertains to the benefits and successes of the strategic partnership, we conducted an internal employee survey to measure the responses to key questions from a “pre-partnership” and “post-partnership” point of view. The leadership team at Collus PowerStream could see in the day-to-day operations of the business that there was a new, positive energy in the workplace environment post-transaction but did not have any empirical evidence to substantiate the claim or challenge the bias that perhaps the management team had towards the employee sentiment of the strategic partnership transaction. The anonymous survey was now going to be the tool to extract quantitative results to truly understand the impact that the strategic partnership had on the employees of Collus PowerStream.

The survey was constructed to focus on 10 key questions that would provide comprehensive insight to many facets of the employees’ day-to-day operations as well as their overall thoughts on the strategic partnership transaction. The survey was distributed to all 28 dedicated employees across all departments using a third-party survey software which ensured that the responses were posted anonymously so that the employees would be able to posts results freely and candidly.

“Credit must be given to the former Collus Power Board and specifically our Chairman, the late Dean Muncaster, for pushing the Board and Senior Management to look out beyond routine thinking and to find a business model that enhances value to our customer and to our Shareholder while protecting the interests of all our employees. The measurable successes we have had after our first eighteen months prove that we are on the right track.”

Ed Houghton, President & CEO Collus PowerStream

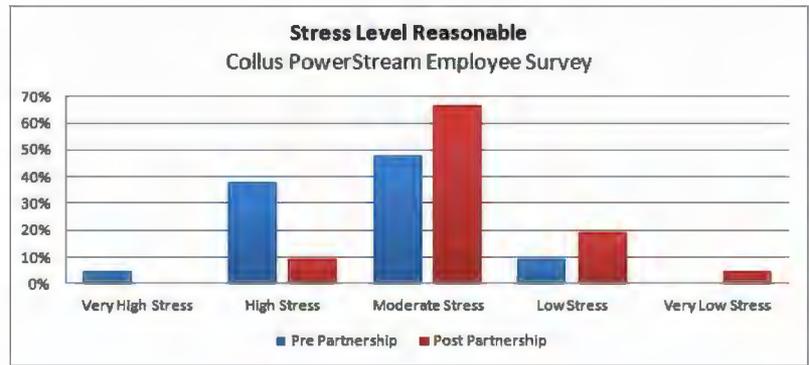
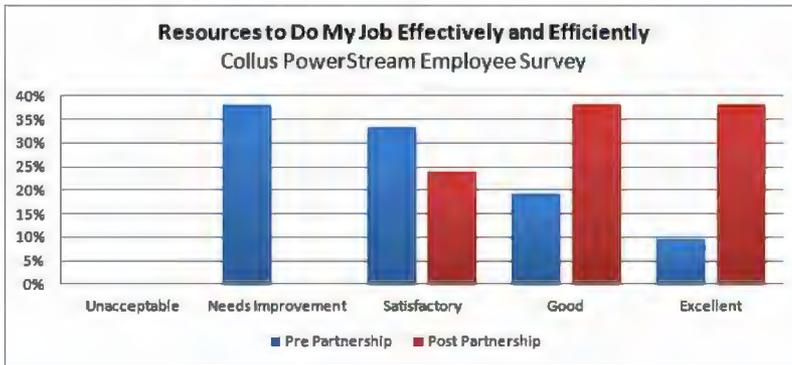
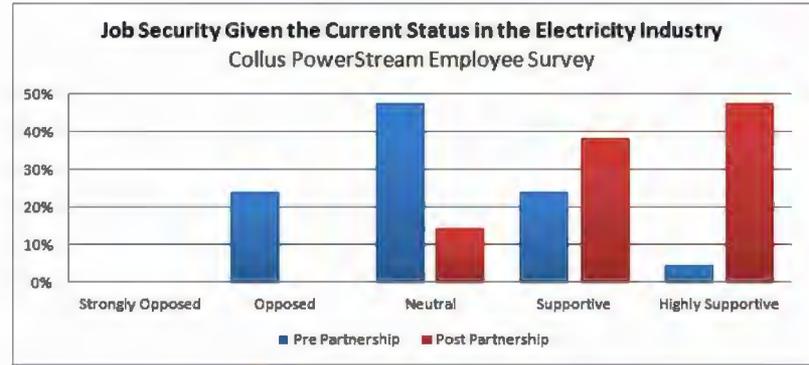
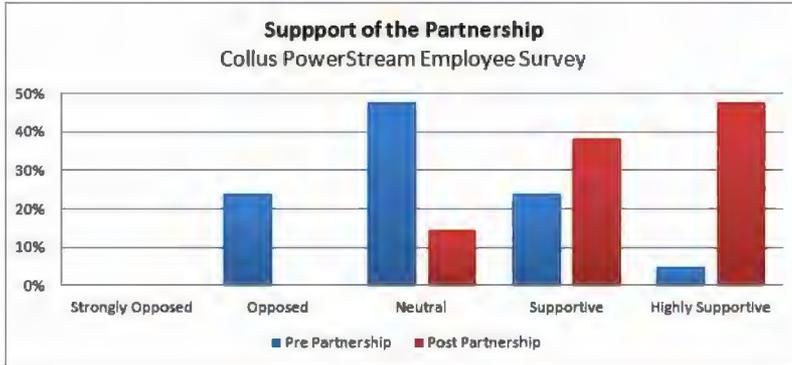
¹ *Successful Post-Merger Integration: Realizing the Synergies*; Nils Bohlin, Eliot Daley and Sue Thomson

Benefits and Successes of the Strategic Partnership



BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

SURVEY RESULTS

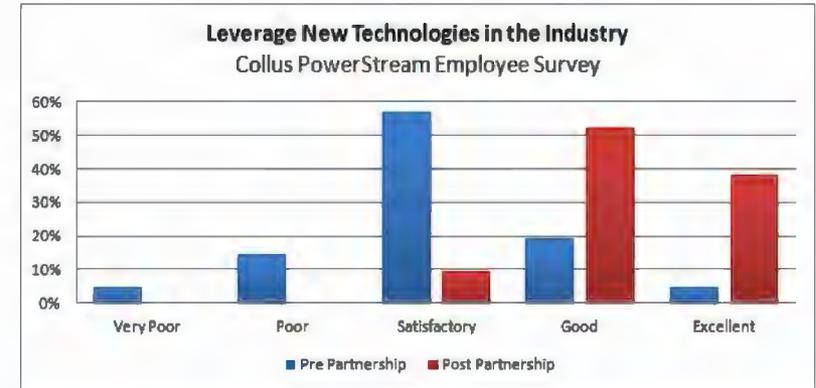
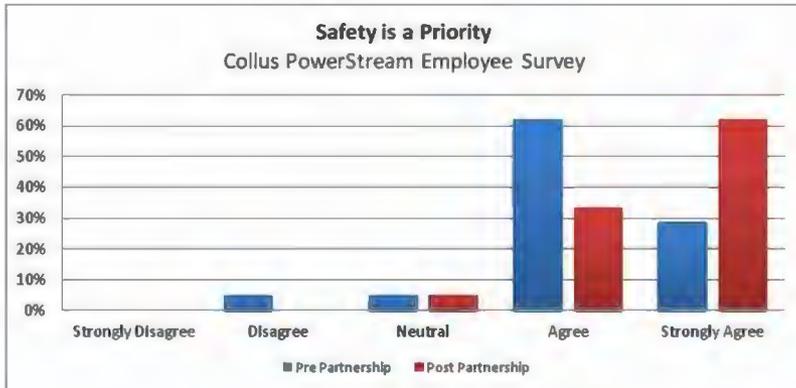
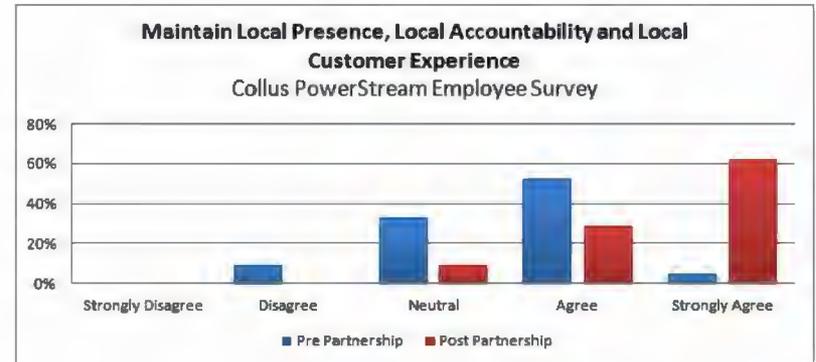
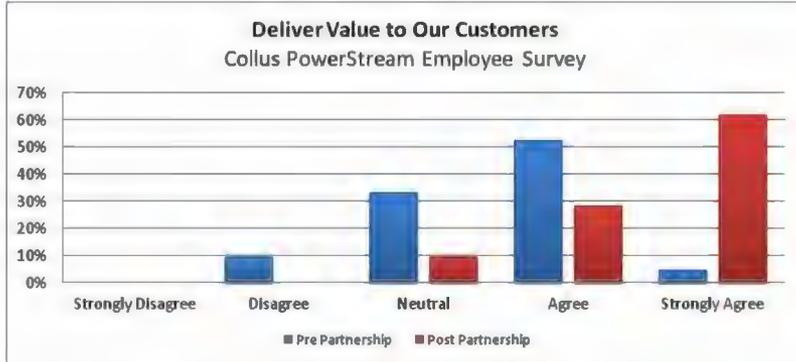


Benefits and Successes of the Strategic Partnership



BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

SURVEY RESULTS

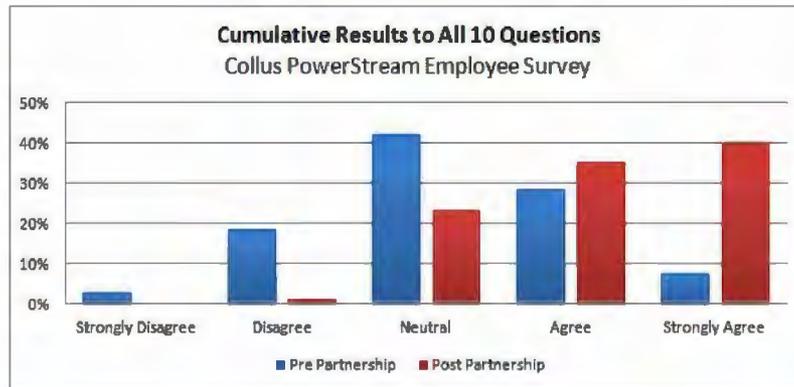
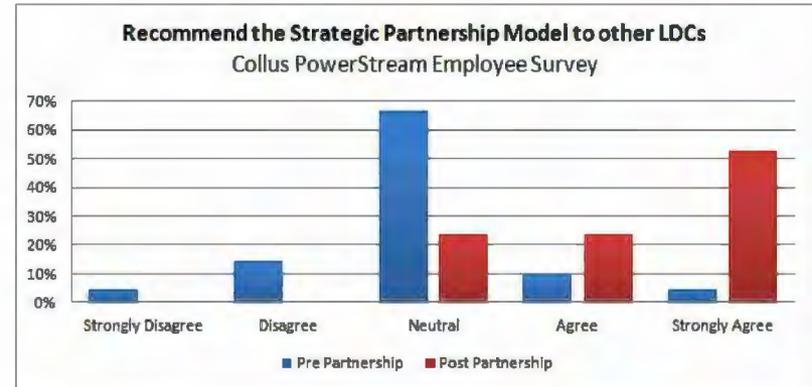
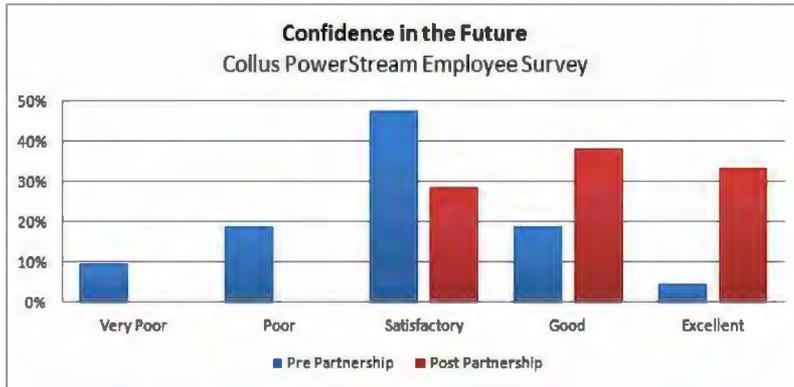


Benefits and Successes of the Strategic Partnership



BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

SURVEY RESULTS



The results clearly demonstrated that the people of Collus PowerStream considered that the strategic partnership truly shifted their actions, behaviours and sentiments from a relatively satisfactory position pre-partnership to definitive agreement that the partnership increased value to the customer, provided more effective and efficient resources to do their day-to-day tasks, increased job security, provided leading-edge technologies and has increased the employees' overall confidence in the future.

Benefits and Successes of the Strategic Partnership



BENEFIT 4: EMPLOYEE ENGAGEMENT AND COMBINED EXPERTISE

CASE STUDY G: COLLUS POWERSTREAM TO LEVERAGE POWERSTREAM'S LEADING FOCUS ON EMPLOYEE ENGAGEMENT AND SATISFACTION

POWERSTREAM EARNS RECOGNITION FOR ITS EMPLOYEE ENGAGEMENT

Named "Achievers 50 Most Engaged Workplaces™ in Canada" for second consecutive year

PowerStream was named today as one of the Achievers 50 Most Engaged Workplaces in Canada for 2013, marking the second consecutive year the company has earned this honour. The award recognizes top employers that display leadership and innovation in engaging their workplaces.

A panel of judges selected PowerStream for the award through an evaluation process in which applicants were considered based on Achievers' Eight Elements of Employee Engagement™. These Eight Elements include: leadership, communication, culture, rewards and recognition, professional and personal growth, accountability and performance, vision and values, and corporate social responsibility.

The electric utility which serves customers in communities located immediately north of Toronto and in Central Ontario, will be honored alongside other recipients of the Achievers 50 Most Engaged Workplaces™ Award at an awards gala to be held on March 6, 2014 at the Hilton in Toronto, Ontario.

POWERSTREAM NAMED ONE OF GTA'S TOP EMPLOYERS FOR 3RD CONSECUTIVE YEAR

Energy company recognized for its outstanding employee engagement and satisfaction

For the third consecutive year, PowerStream has been named one of Greater Toronto's Top Employers, and once again has joined several other organizations located within the Greater Toronto Area recognized for their performance and outstanding initiatives that support employee engagement and satisfaction.

PowerStream, a community-owned energy company, is committed to the ongoing development of its employees and offers a variety of in-house training courses and apprenticeship opportunities, as well as subsidies for tuition and professional accreditations.

The company also has in place several other programs that benefit employees including vanpool/carpool commuting, wellness initiatives, fitness club membership reimbursement, a subsidized onsite cafeteria, flexible work hours, extensive health benefits as well as a unique "Power Perks" discount purchase program of goods and services offered by local businesses.

Benefits and Successes of the Strategic Partnership



BENEFIT 5: VALUE TO OUR CUSTOMERS

As with all strategic business combinations, there needs to be a strong awareness that the transaction needs to ensure that the baseline value provided to customers is not impacted negatively. This was the case with Collus PowerStream as well. “Putting the Customer First” was how the Distribution Sector Review Panel positioned its report to comment on the challenges to restructure the Ontario electricity distribution market. Meeting customers’ demands to turn these challenges into opportunities requires the transformation of the traditional electric utility business model. Delivering safe and reliable electricity will always form the cornerstone of what we do, but the modern utility must expand its vision and adapt to changing circumstances in order for our employees to provide energy sustainably for our customers, communities and shareholders.

To illustrate the impact of the strategic partnership to the Collus PowerStream customer we will investigate:

- Case Study H - Customer satisfaction results that creates a baseline of achievement from a Collus 2010 survey, and
- Case Study I - Examples of real life scenarios whereby PowerStream is also focusing key initiatives to create customer value.

The energy industry, like most others, will continue to experience an evolution in customer expectations, from information on demand to high degrees of control and engagement to the ability to create collaborative and personalized interaction channels with energy service providers. Experts increasingly mention customer involvement and the conversion of end use load into an energy resource as one of the most transformative changes the industry will undergo. The capability and complexity of loads, including smart appliances, energy management systems, plug-in electric vehicles and distributed energy resources, are creating the opportunity to engage customers as active energy partners rather than passive ratepayers. The expectation is that new energy products will emerge, including service bundles, customized service levels and retail energy exchanges.¹

¹ *Black & Veatch*

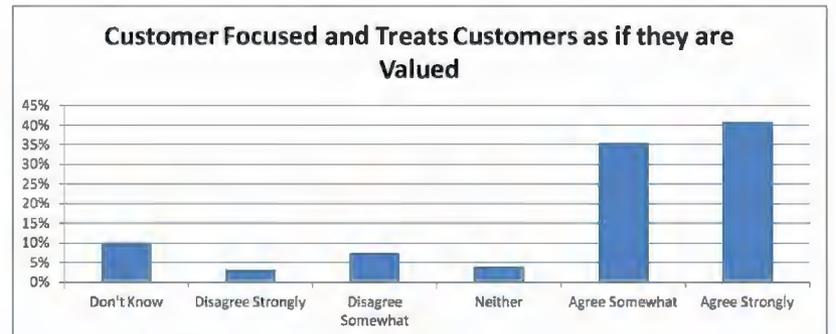
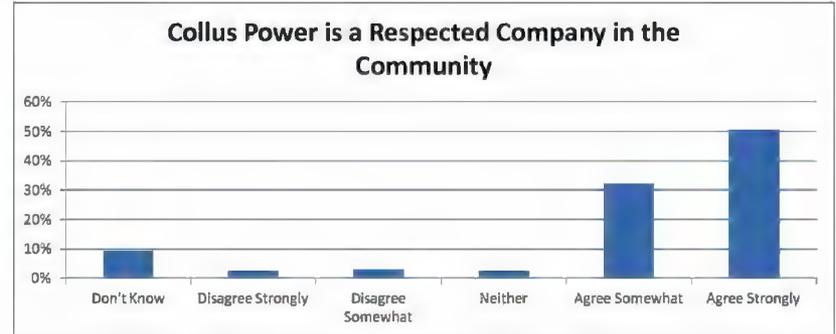
Benefits and Successes of the Strategic Partnership



BENEFIT 5: VALUE TO OUR CUSTOMERS

CASE STUDY H: COLLUS POWERSTREAM MAINTAINS A SOLID TRACK RECORD OF CUSTOMER SATISFACTION

In 2010, Collus engaged Utility Pulse to conduct an Electric Utility Customer Satisfaction Survey to understand Collus' positioning with its customer base. Consistent with PowerStreams's constant focus on engaging customers to provide solutions to their needs, the team at Collus has always had a dedication to their customers. With the execution of the strategic partnership, this has not changed. In fact, the shared vision of promoting the customer in everything that gets done has only been strengthened post-transaction. Collus PowerStream has engaged Utility Pulse to update the Customer Satisfaction Survey to include updated results which will be available in Q2 2014.

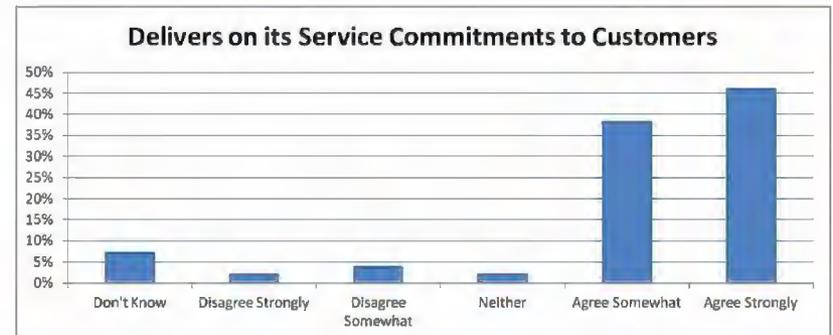
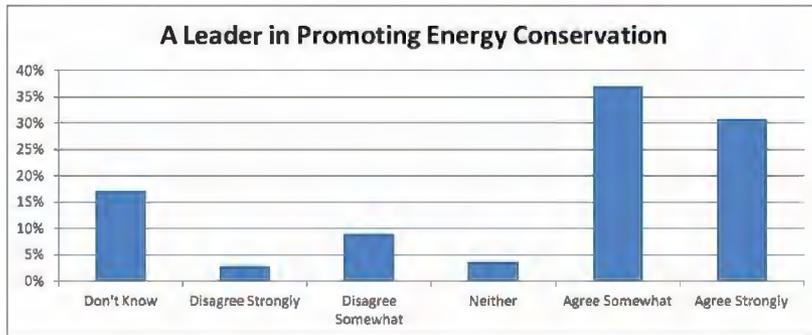
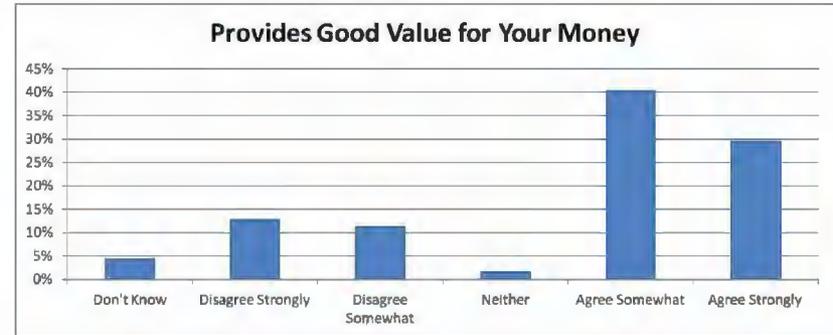
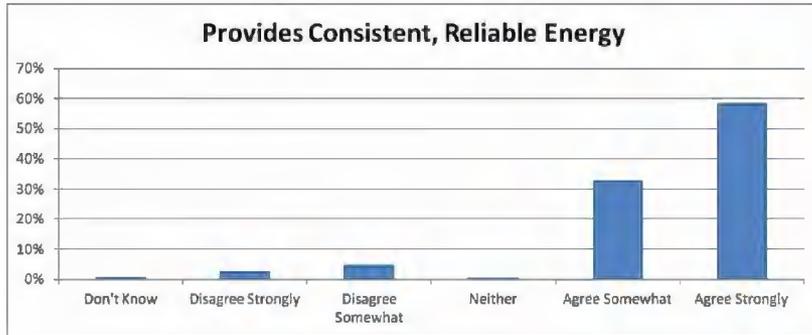


Benefits and Successes of the Strategic Partnership



BENEFIT 5: VALUE TO OUR CUSTOMERS

CASE STUDY H: COLLUS POWERSTREAM MAINTAINS A SOLID TRACK RECORD OF CUSTOMER SATISFACTION



In 2014, Collus PowerStream continues to focus on the customer as part of its strategic and tactical goals. In many cases, business combinations cause the customer's needs to become lost in a myriad of initiatives promoting compatibilities, economies and growth, yet when not mapped onto the customer's needs, the long-term success of the combination will be compromised. Collus PowerStream and PowerStream share the similar vision to "exceed customer's expectations" and "support the customer's quality of life."

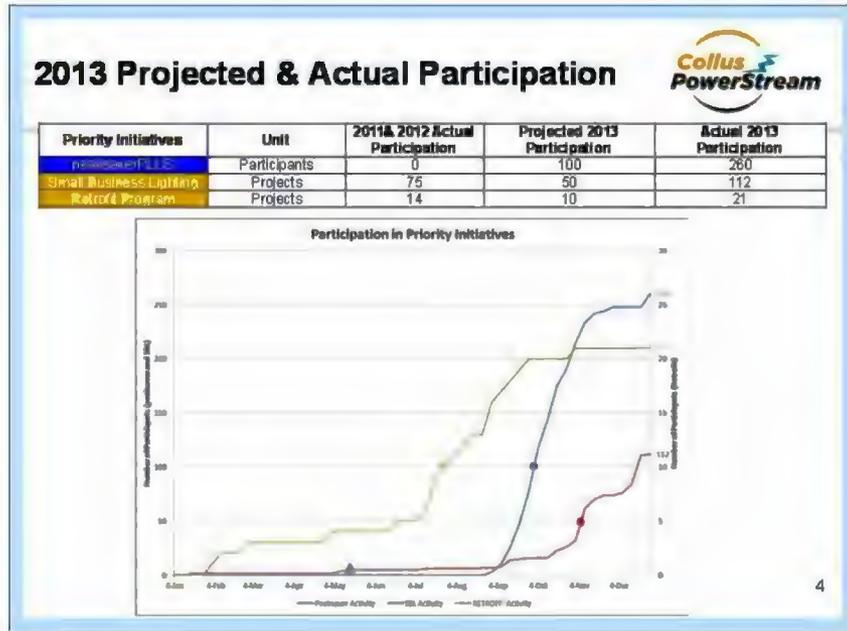
Benefits and Successes of the Strategic Partnership



BENEFIT 5: VALUE TO OUR CUSTOMERS

CASE STUDY I: COLLUS POWERSTREAM ENGAGES CUSTOMERS TO PARTICIPATE IN CDM PROGRAMS

To demonstrate Collus PowerStream’s continued commitment to the customer, the results that have been realized in delivering their most recent CD&M programs identifies that the relationship with the customer continues to grow and build. The graphical results depicted below provides a compelling, successful case study from the where the company’s CD&M programs laboured prior to the PowerStream transaction juxtaposed against the results achieved post transaction.



Benefits and Successes of the Strategic Partnership



BENEFIT 5: VALUE TO OUR CUSTOMERS

CASE STUDY J: COLLUS POWERSTREAM TO LEVERAGE POWERSTREAM'S LEADING FOCUS ON EMPLOYEE ENGAGEMENT AND SATISFACTION

As Collus PowerStream continues to focus on the needs of our customers, we will always have to adapt and leverage the commitment and success that PowerStream has built into its business philosophy that ensures that all strategies, objectives and tasks revolve around the customer and that everything that gets done is viewed from the lens of the customer.

DO I USE LESS ELECTRICITY THAN MY NEIGHBOURS?

New feature on PowerStream online account portal helps customers answer this question

PowerStream has recently introduced several new energy management tools and updated features to "My Account Info," its secure, online customer account portal, including one which will allow customers to compare their electricity use to others.

Since there would be privacy implications with any direct account comparisons, PowerStream has implemented a "social benchmarking" tool which enables customers to compare their own usage to the average consumption of an aggregate of similar account type customers within their neighbourhood. In other words, through the use of the "Compare My Usage to My Area" feature, PowerStream customers can see how their electricity bills stack up against a combination of similar customer accounts within their neighbourhood.

The use of social benchmarking to help promote conservation is a relatively new concept with studies in the United States and British Columbia showing that people respond positively to conservation initiatives once they know how they rank compared to others. PowerStream is one of the first utilities in Ontario to offer this feature to its customers.

Other enhancements and upgrades to PowerStream's "My Account Info" online customer account portal include improvements to the overall layout and registration process, and the addition of new features to help demonstrate electricity usage and patterns. Customers can now see their consumption depicted in a number of ways including enhanced bar graphs and pie charts. Electricity usage history is now also displayed in chart and table formats on the same page. The pie charts display Time-of-Use (TOU) consumption by period and by percentage, giving customers a clearer understanding of when they consume their electricity. To date over 65,000 PowerStream customers have enrolled in "My Account Info."

POWERSTREAM EARNS INDUSTRY AWARD FOR PUBLIC RELATIONS

Electricity Distributors Association recognizes utility for its 'Follow the Smart Grid to Win' campaign

PowerStream, an electricity industry leader in the implementation of smart grid technologies, has been recognized by the EDA for demonstrating excellence in public relations as a result of the utility's successful 2012 "Follow the Grid to Win" campaign. PowerStream was presented with the EDA's "Communications/Public Relations Excellence Award – Public Relations Category" at the organization's Annual Gala Dinner held Monday evening at the Fairmont Royal York Hotel. The award is presented by the EDA each year to an Ontario utility whose initiative had successfully raised the profile of a utility-specific program. In October and November 2012, PowerStream's "Follow the Smart Grid to Win" initiative helped to increase customer awareness of Smart Grid and its benefits, as well as the "following" of the company's social media properties, in particular PowerStream's Twitter page. Results from the campaign included:

- 1.822 million impressions about Smart Grid through advertisements on CTV Barrie
 - 219,207 impressions about Smart Grid through online advertisements on the websites of Metroland newspapers in York Region and Simcoe County
 - 694,165 impressions about Smart Grid through tweets and re-tweets on Twitter
- 160 % increase in the number of Followers of @PowerStreamNews on Twitter (from 289 to 750).

"PowerStream is committed to ensuring our customers are fully aware of what we provide and how we can help, so it's both fitting and thrilling that our smart grid campaign has been recognized as industry-leading," said Frank Scarpitti, PowerStream Board Chair and Mayor of the City of Markham. "The public response to our campaign was fantastic. I thank our team for their impressive work in connecting and helping consumers in all our channels, including social media."

Benefits and Successes of the Strategic Partnership



BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES¹

Over the last 50 years, many of the core technologies used in the power sector for the delivery of electricity remained relatively unchanged. Even now, many of the assets in service would be recognizable to the utility engineers from the 1960s. However, over time utilities have applied technology strategically to increase reliability and reduce cost. In recent years, advancements in information technology, communications and electronics have been applied to electric power systems which will enable fundamental changes in the way the grid is configured and operated.

Over the next several years, the electric utility industry will deploy advanced sensors, communications infrastructure and control systems that will enable changes in the way electricity is produced, delivered and used. Advancements such as Advanced Metering Infrastructure (AMI), Meter Data Management Systems (MDMS), Outage Management Systems (OMS), Distribution Management Systems (DMS), Enterprise Asset Management (EAM), mobile communications, the explosion of the Internet of Things smart devices such as the Nest thermostat and the integration of distributed generation, including renewable energy and energy storage are changing the utility at breathtaking speed.

And active involvement of customers and LDCs' understanding of consumer electricity demand as a controllable energy resource will be seen as a very transformative change to the modern utility. Enabling demand management/response by providing customers with enhanced information about energy use – and giving them the means to control it – are key for the future.

Smart metering and AMI technology are only part of the solution. Utilities and regulators should develop effective pricing programs to ensure that customers are given the signals they need to make good decisions about their energy consumption. High customer participation rates in these programs are also important. Also important is the fact that effective technologies and pricing programs can have a significant, positive impact on peak demand, allowing utilities and grid operators to reduce the amount of peaking and reserve capacity needed to maintain grid reliability.

"Innovation is anything but business as usual."

*Anonymous
Included in the PowerStream
2012 Annual Report*

¹ *Black & Veatch*

Benefits and Successes of the Strategic Partnership



BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

CASE STUDY K: SMART GRID OPERATIONS TECHNOLOGY—MICRO GRID¹

Challenge:

Large-scale electricity distribution systems whose generation sources are far-removed from customers are becoming a thing of the past. A new breed of electricity distribution system, built around the concepts of flexibility, scalability and sustainability, is emerging. The technology required to build these next-generation electricity distribution systems has existed for years, but it has never been used to bring electricity production closer to the end-user.

Solution:

PowerStream believes that Micro Grids will be an integrated part of our energy future: Not only will they change the way electricity is transmitted, they represent an innovative solution to the challenge of asset renewal in large-scale electricity distribution systems and demonstrate that renewable energy can effectively help to address the growing demand for electricity.

With the implementation of an integrated Micro Grid demonstration project at its head office in Vaughan, Ontario, PowerStream will be one of the first utilities of its size in North America to initiate a proof-of-concept trial, evaluating the Micro Grid's performance while it is connected to, and also disconnected from, the normal electricity distribution system.

PowerStream will be implementing its new Micro Grid in two phases, over a two-year period. In phase one, the company will draw electricity from an array of assets – solar panels, a wind turbine, a natural-gas generator, sodium-metal batteries, lead acid batteries and lithium batteries – in order to provide electricity for loads such as lighting, air conditioning and refrigeration at its head office location. Electricity generated from this combination of clean and renewable sources will also be used to power the company's electric vehicle charging stations (which energize the company's fleet of electric vehicles) and to maintain a steady charge in the Micro Grid's storage batteries.

The overarching goals of the Micro Grid project are to understand how to achieve safe, stable and reliable service. Phase one will focus on the Micro Grid's functionality once it is disconnected from the normal electricity distribution system, run independently from that system and then reconnected to it. In phase two, PowerStream plans to include other electricity sources, such as combined heat and power, fuel cells and electric vehicle-to-grid (V2G) technologies as additional sources of generation. The goal here is to demonstrate the Micro Grid's ability to dispatch power back to the normal electricity distribution system (demand response) and to operate securely and reliably.

¹ John Mulrooney, Director, Smart Grid Technologies at PowerStream Inc

Benefits and Successes of the Strategic Partnership



BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

In summary, when incorporating new, advanced technologies, LDCs should:

- Leverage the operational efficiencies provided by technology to reduce operational costs;
- Prioritize technology investments that seek to maximize benefits from energy efficiency, energy delivery and clean energy technologies;
- Simplify the interconnection and integration of distributed renewable energy resources;
- Provide customers with information and energy management technologies that are aligned with effective pricing programs; and
- Build out the energy distribution system by pursuing a long-term capital improvement program premised on delivering enhanced value to consumers.

Injecting massive amounts of renewable energy, particularly intermittent solar and wind, onto the nation's electric grid in an efficient and reliable manner will be a significant challenge. And energy storage is a key component of such a strategy. While storage comes in many forms, historically, most energy storage has been in the form of pumped hydropower. Increasingly there is consideration of compressed air, flywheels and a plethora of battery technologies, configurations and chemistries. Policymakers, such as FERC, in the United States are establishing rules that would reward the speed and accuracy of new storage technologies. See Case Study K regarding PowerStream and Nissan Canada's Electric Vehicle-to-Home (V2H) Power Supply as examples of a viable energy storage solution.

1800s



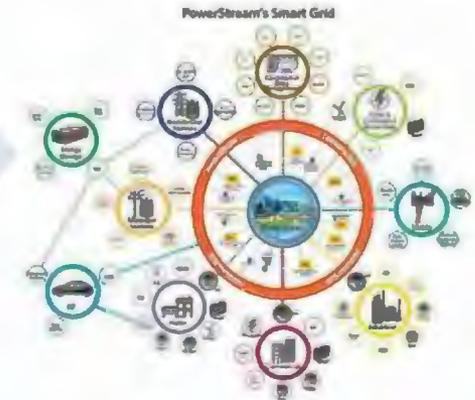
A maiden providing electricity from a distance.
International Electrical Exhibition—Frankfurt 1891

1900s



Collingwood's 1952 sub-station housing—six 667-KVA transformers were erected on St. Marie Street

2000s



Benefits and Successes of the Strategic Partnership



BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

CASE STUDY L: SMART GRID OPERATIONS TECHNOLOGY—MICRO GRID

A customized energy management software program, developed for PowerStream by GE Digital Energy, will route electricity from the company's existing generation to power the building's various electrical loads during phase one of the trial. Micro Grids work in the same way as large-scale electricity distribution systems, but instead of delivering electricity to hundreds of thousands of customers at a time, they are scalable, servicing targeted geographic areas, remote locations or communities with more diverse supply needs. In addition to being customized, Micro Grids rely on a mix of clean and renewable sources of generation, located within close proximity to the electricity distribution system and able to connect to it at multiple points. Because they are modular and secure, Micro Grids can operate independently from the normal electricity distribution system, as well as being able to store electricity from that system and feed it back in as required.

Benefits and Successes:

Safe and reliable electricity. The ideal Micro Grid delivers power safely and reliably to a specific area or community, ensuring that delivery can be sustained.

Customer choice. Micro Grids allow end users the flexibility to tap into different types of generation as a way of meeting their specific energy needs. They also provide a conduit for feeding excess electricity back into the normal electricity distribution system and participating in programs that help to reduce the strain on these systems.

Sustainability. A common feature of Micro Grids is the ability to seamlessly utilize various sources of electricity. Ideally, an area or community with its own Micro Grid will strive to achieve net-zero electricity usage, using only as much electricity as it generates. Because they can operate independently, Micro Grids can also feed power back into the normal electricity distribution system in demand response situations.

Collus PowerStream Impact:

Ability to leverage the Micro Grid technology for its own residential and commercial customers. Provide leading edge technology solutions to increase value to the customer.

Provides Collus PowerStream customers with options to meet their specific, individual needs. Part of the process of further engaging the customer.

Begin becoming a producer of energy and not just a distributor of power generation. Ability to become a bilateral utility with power inflows and outflows to the Smart Grid.

Benefits and Successes of the Strategic Partnership



BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

CASE STUDY M ELECTRIC VEHICLE-TO-HOME (V2H) POWER SUPPLY

Most homeowners don't have an alternate source of power to draw upon during a power outage, but what if they did?

PowerStream, and its project partner, Nissan Canada, demonstrated innovative electric vehicle-to-home (V2H) technology at the 2012 Georgian College Auto Show by showcasing how a fully-charged lithium-ion battery inside a Nissan LEAF® electric car can provide a typical Canadian household with enough power for a full day.

The demonstration showed how a power control system, connected to the main breaker panel in a customer's home, allows for the home's electricity supply source to be switched from the power grid to the car's battery. From there, power is delivered directly to the home's electrical system, enabling homeowners to operate essential appliances such as an air conditioner, stove, refrigerator, washing machine and dryer, for approximately a full day.

Turning a car battery into a back-up generator also gives homeowners some flexibility when it comes to managing their costs by taking advantage of Ontario's time-of-use electricity rates. In the future, with this technology, homeowners will be able to charge their electric car at night, when rates are low, and use that power during the day when rates are higher, thereby saving money.



Benefits and Successes of the Strategic Partnership



BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES

CASE STUDY N: SMART GRID TECHNOLOGIES: RESTORING POWER SOONER JUST GOT FASTER¹

Challenge:

Power outages can result in large sections of the electricity distribution system being affected – even though the problem may be isolated to just one small section. It takes time to identify the source, and as repair work takes place, customers want to get on with their daily activities.

Solution:

PowerStream has installed a new triage tool on a major part of its distribution system – one of the few distribution companies in North America to participate in such an initiative. Designed to pinpoint the source of the outage automatically and restore power sooner, here's how it works:

- When an outage occurs, the 'automatic isolation and restoration' tool kicks in to isolate the section of the grid that is affected due to external conditions beyond our control, such as storms and car accidents.
- Before the device gets to work fixing the failure, it automatically sends a message to nearby power lines telling them to start routing electricity to customers in the section of the grid that is not part of the problem.
- Based on information compiled to date, PowerStream estimates that with this new technology, power could be restored in minutes.

Benefits and Successes:

Reliable Power. No one can predict them, but when power outages do happen, everyone wants their power restored as quickly as possible. Automatic isolation and restoration technology cuts down on the time that customers are inconvenienced when an outage occurs.

Value for Money. PowerStream estimates that when the new technology is completely installed, it will significantly increase system reliability of electricity to our customers. What's more, this technology significantly reduces the search time — and cost — to determine the location of equipment failures, allowing PowerStream to make repairs and restore power more quickly than in the past.

Collus PowerStream Impact:

Power outages impact the customer probably more than any other circumstance. By being able to leverage PowerStream's triage restoration technology, Collus PowerStream will be able to service and cut down on the time that customers are inconvenienced.

The PowerStream triage restoration technology will further increase the reliability of Collus PowerStream's grid. Independently, Collus PowerStream does not have the technology or financial resources to implement such a program without leveraging PowerStream's scale.

¹ John Mulrooney, Director, Smart Grid Technologies at PowerStream Inc.

Benefits and Successes of the Strategic Partnership



BENEFIT 6: LEVERAGE KEY ADVANCEMENTS IN CURRENT AND FUTURE TECHNOLOGIES¹

CASE STUDY O: POWERSTREAM NAMED SOLAR INDUSTRY 'DEVELOPER OF THE YEAR'

In 2012, PowerStream Solar, a stand-alone business unit at PowerStream dedicated to the development and construction of renewable energy generation projects across Ontario, found innovative ways of adding new solar generation systems to its portfolio.

In addition to its usual mode of operation of leasing under-utilized rooftops on buildings that are owned by businesses, institutions and local governments in order to install, operate and maintain solar generation systems, in 2012, PowerStream Solar acquired projects from several other Ontario solar generation developers to own even more systems across the province. This included systems in areas such as Barrie, Markham, Windsor, Tecumseh, Scugog and Stone Mills. New systems enabled PowerStream Solar to further broaden its business that has helped to establish a steady revenue stream through solar generation for PowerStream, as well as participating building owners, over a 20-year period. Furthermore, generating energy from renewable sources is consistent with PowerStream's mission of being a sustainable and environmentally-responsible company.



PowerStream Facility in Barrie

The strategy's success facilitated PowerStream Solar signing agreements that secured a total of 27 systems in 2012. This, combined with 19 projects that have the capacity to generate a total of 4.4 MW of power achieving commercial operation in 2012, contributed to PowerStream being named 'Solar Developer of the Year' by the Canadian Solar Industries Association. PowerStream Solar's ongoing work with landlords, developers, contractors, consultants and government organizations during the acquisition, development, design and construction phases of solar generation facilities has resulted in the company owning solar generation facilities on 36 rooftops across the province with an installed capacity of 5.4 MW, generating enough electricity to power over 770 homes. A further 75 projects (roughly 17 MW) are in various stages of development.

PowerStream's strong depth, experience and innovation in solar projects will empower Collus PowerStream to be able to initiate similar projects within its service territory of Collingwood, Stayner, Creemore and Thornbury to add new generation systems to its own distribution assets. Collus PowerStream will be able to leverage all the technologies, contracts and marketing materials that PowerStream Solar has developed and refined over the years.

¹ PowerStream 2012 Annual Report

Benefits and Successes of the Strategic Partnership



BENEFIT 7: CASH PROCEEDS FROM THE SALE OF SHARES AND DIVIDEND RECAPITALIZATION

KPMG LLP was retained by Collus to provide a calculation of the fair market value of all the common shares of Collus Power Corp as at December 31, 2010 based on the available audited financial statements as well as other internal and market information. The valuation was used as a basis to discuss and negotiate terms and conditions for the Town to sell 50% of the Collus common shares to PowerStream. In addition to the cash consideration to be paid by the acquirer of the 50% of common shares, what was unique regarding PowerStream's proposal was that PowerStream agreed to allow the Town to receive a dividend from Collus without the purchase price valuation to be impacted with the reduction in rate base post dividend. In all the other proposals received, any dividend re-capitalization paid to the Town would include in the purchase price valuation as a reduction in the rate base.

Transaction Date	Utility Target	Initiated By	Transaction Type	Enterprise Value / Book
May-00	Uxbridge	Veridan	100% Acquisition	1.69
Jun-00	Carleton Place	Hydro One	100% Acquisition	1.32
Apr-01	Thorold	Hydro One	100% Acquisition	1.60
Apr-01	Owen Sound	Hydro One	100% Acquisition	1.26
May-01	Lindsay	Hydro One	100% Acquisition	1.60
May-01	Quinte West	Hydro One	100% Acquisition	1.38
May-01	Port Hope	Veridan	100% Acquisition	1.35
Jul-01	Brampton	Hydro One	100% Acquisition	1.29
Aug-01	Caledon	Hydro One	100% Acquisition	1.25
Dec-01	Richmond Hill	Markham/Vaughan	100% Acquisition	1.33
May-02	Cornwall Electric	Fortis	100% Acquisition	1.25
Sep-05	Gravenhurst	Veridian	100% Acquisition	1.56
Sep-05	Aurora	PowerStream	100% Acquisition	1.29
Sep-05	West Nipissing	Sudbury	100% Acquisition	1.28
Jan-09	ELK Energy	Town of Essex	100% Acquisition	1.36
Aug-09	Great Lakes Power	Fortis	100% Acquisition	1.26
Jul-12	Collus Power	PowerStream	50% Strategic Partnership	1.56
Average				1.39



The proceeds paid to the Town of Collingwood were then decided upon by Council regarding how to spend the new cash injection into the Town based on the ability to monetize 50% of the value of their local electricity utility.

Benefits and Successes of the Strategic Partnership



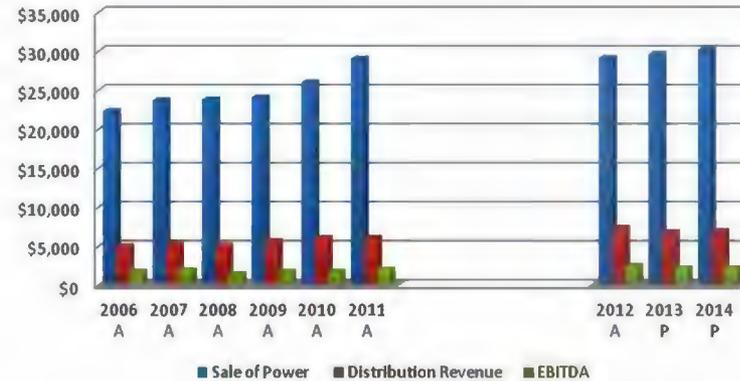
BENEFIT 8: INCREASED FINANCIAL AND OPERATIONAL STABILITY

With any business combination there is implementation risk, which addresses concerns that actual results from the combination will not realize what was originally envisioned or planned. A unique attribute with the Collus PowerStream and PowerStream strategic partnership is that the transaction is a 50/50 partnership deal whereby neither shareholder has control of the operations, the governance, the assets or strategic direction of the utility. This is not the case if a municipality were to sell 100% of their utility. Specifically,

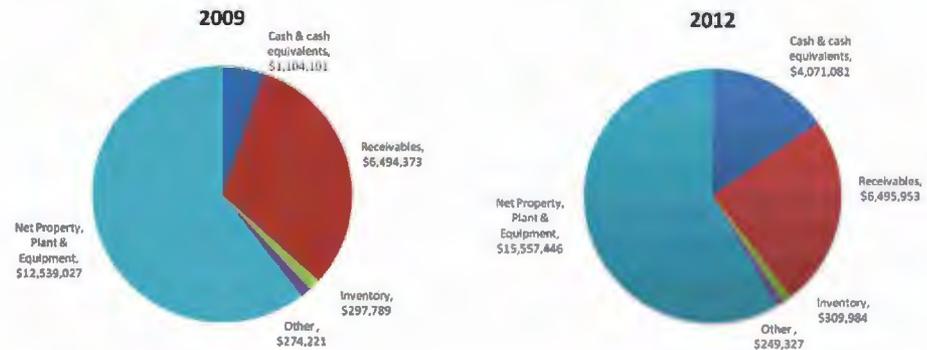
- Service to customers remains unchanged
- Management decision making is still in Collingwood
- Revenues continue to be consistent with its customer base
- EBITDA is rising
- Investment in the rate base has continued
- Liquidity still remains strong
- Debt to equity ratios still in line with OEB's 60/40 thresholds
- Employees still maintain their existing contracts without terms and conditions

Since July 2012, Collus PowerStream has been able to focus on delivering value to its customers and security to its employees knowing that it has the ability to leverage the operational and financial power of its partner, PowerStream.

Collus PowerStream
Summary of Historical and Projected Operating Results



Post Strategic Partnership



Benefits and Successes of the Strategic Partnership



BENEFIT 8: INCREASED FINANCIAL AND OPERATIONAL STABILITY

By having PowerStream as a 50% owner, Collus PowerStream has effectively partnered with a LDC that employs over 550 people, has the financial strength that earned stable and consistent cash flows of \$28 million in net income in 2012, and a strong balance sheet with over \$345 million in shareholders' equity.

PowerStream's ability to leverage its balance sheet to access the capital markets has also provided further security for Collus PowerStream knowing that its partner has such diversity in its ability to source investment capital. For instance, PowerStream successfully executed a \$200 million bond issue due July 30, 2042 with an "A" credit rating from DBRS and S&P. In the future, Collus PowerStream might be able to rely on PowerStream's credit rating as it works with PowerStream to find innovative financial solutions to continue providing reliable, consistent and safe power to its customers.

PowerStream's capacity to spend more than \$105 million in critical infrastructure improvements in 2012, with a focus on growth, system reliability, smart grid technologies and customer care allowed it to once again achieve an outstanding Index of Reliability (IOR) score of 99.99% in delivering electricity to our customers. This score was among the best in Canada in 2012 in comparison to other electric utilities.

BALANCE SHEET
AS OF DECEMBER 31, 2012 ¹

	COLLUS PowerStream	PowerStream
Current assets	11,126,344	197,679,401
Net Property, plant equipment	15,557,446	869,792,151
Inter-company investments	-	8,242,678
Other non-current assets	100	54,760,495
TOTAL ASSETS	\$ 26,683,890	\$ 1,130,474,725
Current liabilities	7,822,472	166,173,114
Long-term debt	10,117,802	250,099,142
Inter-company long-term debt & advances	-	182,429,859
Regulatory liabilities (net)	759,014	50,319,085
Other deferred amounts & customer deposits	615,759	115,947,293
Employee future benefits	336,468	18,048,314
Deferred taxes	-	1,730,217
Total Liabilities	19,651,516	784,747,024
Shareholders' Equity	7,032,374	345,727,701
LIABILITIES & SHAREHOLDERS' EQUITY	\$ 26,683,890	\$ 1,130,474,725

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012 ¹

	COLLUS PowerStream	PowerStream
Power and Distribution Revenue	\$ 36,399,554	\$ 967,957,634
Cost of Power and Related Costs	29,120,278	799,482,967
Net Distribution Revenue	7,279,276	168,474,668
Other Income	44,434	576,905
Expenses		
Operating	360,674	21,936,069
Maintenance	1,739,338	7,981,705
Administrative	2,743,294	53,287,467
Depreciation and Amortization	1,739,853	33,195,062
Financing	434,367	23,882,437
	7,017,525	140,282,740
Net Income Before Taxes	306,184	28,768,833

¹ OEB 2012 Yearbook

Benefits and Successes of the Strategic Partnership

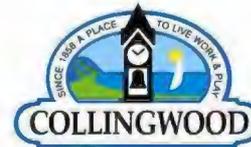
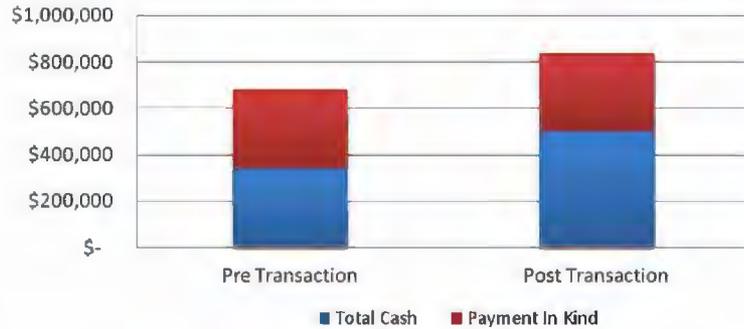


BENEFIT 8: INCREASED FINANCIAL AND OPERATIONAL STABILITY, CONTINUED

CASE STUDY P: COLLUS POWERSTREAM TO DECLARE 2013 DIVIDENDS TO SHAREHOLDERS

Continuing its track record of realizing benefits from the strategic partnership with PowerStream, Collus PowerStream earned its highest annual net income in 2013. As a consequence, Collus PowerStream will be able to issue a material cash dividend payment to the Town of Collingwood and PowerStream which it has previously not been able to do in recent history, not including the strategic partnership dividend recapitalization.

Dividends to the Town of Collingwood - Cash and In-Kind



The expected total dividend payment to shareholders is \$367,000. Hence, 50% or \$183,500 will be paid to the Town of Collingwood and will be allocated by Council to provide further funding to continue valued programs to the people of the city. And, PowerStream will also receive its 50% portion or \$183,500.

Benefits and Successes of the Strategic Partnership



BENEFIT 9: LEVERAGING THE COLLUS POWERSTREAM STRATEGIC PARTNERSHIP AS A VIABLE OPTION IN ONTARIO'S LDC MARKET

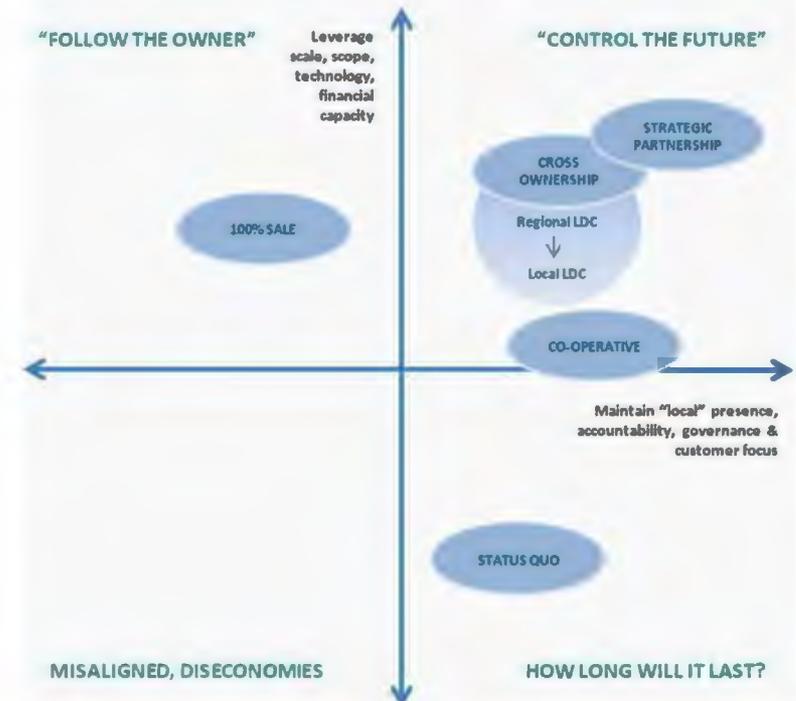
A VIABLE OPTION TO BE CONSIDERED

As the Ministry of Energy and the OEB continue to review, contemplate and debate the next steps as it pertains to achieving cost savings within the electricity distribution market, each LDC will need to determine which options to prepare for LDC 2.0 are best suited for their customers, their community, their employees and their shareholders. The options have to be reviewed and challenged and it is encouraged that the Collus PowerStream unique strategic partnership be a viable option that can be adopted by other LDCs in the industry.

BENEFITS REALIZED FROM THE STRATEGIC PARTNERSHIP

1. *Complimentary Vision, Mission and Values.*
2. *Platform to Leverage Scale.*
3. *Complementary Geographic Coverage and Potential Future Diversity.*
4. *Employee Engagement and Combined Expertise.*
5. *Value to Our Customers.*
6. *Leverage Key Advancements in Future Technologies.*
7. *Cash Proceeds from Sale of Shares and Dividend Recapitalization.*
8. *Increased Financial and Operational Stability.*
9. *Leveraging the Collus PowerStream Strategic Partnership in Ontario's LDC Market.*

THE LDC COLLABORATION MATRIX



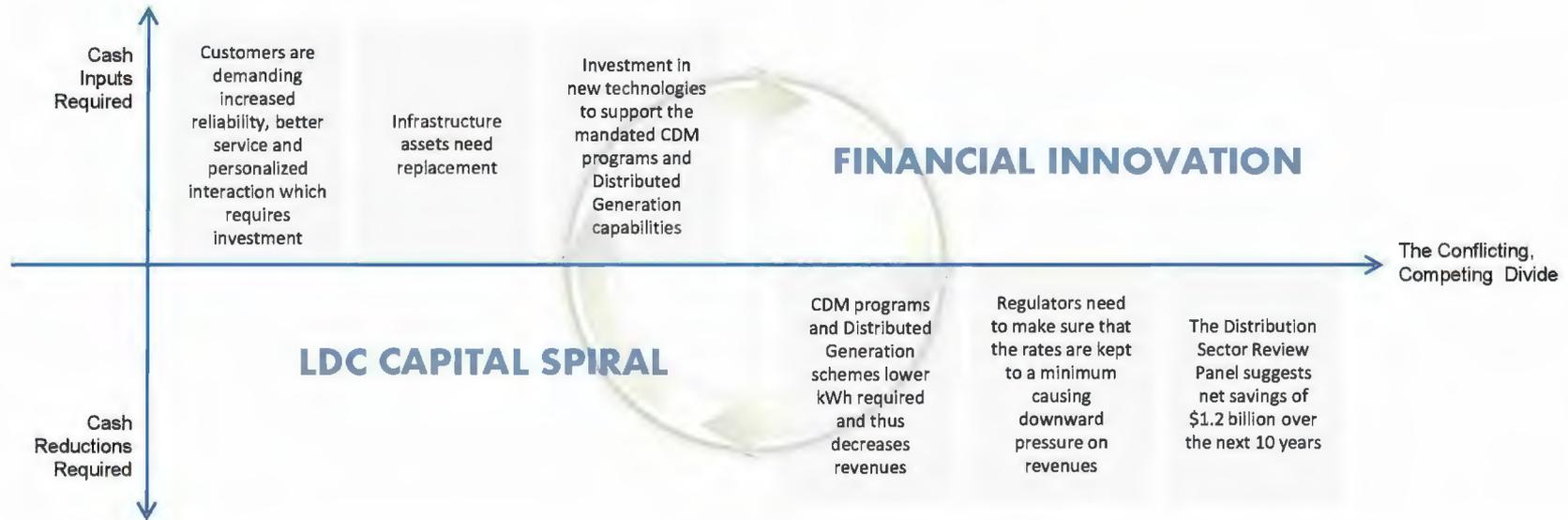
Benefits and Successes of the Strategic Partnership



BENEFIT 9: LEVERAGING THE COLLUS POWERSTREAM STRATEGIC PARTNERSHIP AS A VIABLE OPTION IN ONTARIO'S LDC MARKET

OPPORTUNITIES FOR FINANCIAL INNOVATION

The number of conflicting and competing demands placed on today's LDCs' financial resources could impact the stability of the power system, since many of the stakeholders involved require either cash to be injected into the system in terms of capital and innovation or cash to be removed from the system in terms of savings and power reduction. We call this the LDC Capital Spiral. New, innovative financial solutions will need to be created and executed to satisfy the conflicting capital demands now exposed by current challenges faced by today's LDCs.



In the current environment, it will become more and more pressing for the all the stakeholders in the industry to create innovative, complete financial solutions to solve the LDC Capital Spiral. Changes in the regulatory and policy framework, shifts in ownership structures, bespoke debt and equity programs, risk transfer schemes to the capital markets seeking balanced consistent cash flows and updates to the Income Tax Code will all have to be examined, challenged, debated, formed and implemented to ensure the continued operations of delivering reliable, consistent and safe energy to our more demanding, engaged customers.

Appendix A



LIST OF PAPER, DOCUMENTS, PRESENTATIONS REVIEWED

- OEB Yearbooks 2011, 2012
- Collus Power Presentation to the Ontario Distribution Sector Review Panel – Success Through Partnership—July 10, 2012
- KPMG Calculation of Value prepared for Collus Power—May 20, 2011
- The Power to Deliver, Options for the future of electricity distribution in Ontario, EDA
- Renewing Ontario's Electricity Distribution Sector, Putting the Customer First, Ontario Distribution Sector Review Panel – December 2012
- Mergers By Choice, Not Edict: Reforming Ontario's Electricity Distribution Policy
- 12th Annual Electric Utility Customer Satisfaction Survey, Data Tables Collus Power June 2010
- 15th Annual Electric Utility Customer Satisfaction Survey – CHEC June 2013
- Collus Power MADD Application
- Collus PowerStream Group of Companies Financial Statements 2011, 2012
- Collus Power Board Presentation, Strategy Session January 2013
- 2013 Collus PowerStream Strategic Plan Update
- DBRS Rating Companies in the North American Energy Utilities, 2011
- Hydro One Offer Summary to Purchase Haldimand County, December 2013
- Collus PowerStream Shareholders Agreement, Article 2: Guiding Principles and Objectives
- Collus Power Request for Proposal – Strategic Partnership October 4, 2011
- Collingwood Utility Services, 2010 Annual report and 2011 – 2013 Business Plan
- Review of Asset Management Practices in the Ontario Electricity Distribution Sector, KPMG
- PowerStream 2012 Annual Report
- Comparison of Ontario Electricity Distributors Costs, Peer Groups per PEG Report, 2012
- Collus PowerStream Asset Management Plan, December 2012
- E&Y Power Transactions and Trends 2012
- Fortis Investors Presentation December 2013
- Collus PowerStream, PowerStream SLA Update, presented to Collus PowerStream BofD, Colin Macdonald, VP, Rates & Regulatory Affairs September 2013
- Strategic Partnership Update to Council & Public Information Session #2, January 23, 2012
- Collus PowerStream Employee Organization Chart 2013, Updated Companies
- Collus PowerStream Capital Budget 2014
- CPC AMP 5 Year Budget 2013 with OEB Accepted Reductions
- CPC and PS IFRS Review of IFRS
- CPC Budget Current & 5 year Actual
- Collus PowerStream Corp. (License ED-2002-0518) 2013 Electricity Distribution Rates Application
- CPC and PowerStream Master Shared Services Agreement
- Collus Power Corp and Collus Solutions Corp Services Agreement
- CHEC: Opportunities in the Electrical Sector, April 2013 Mr. Eamer to Ministry of Energy
- Hydro One Networks Application to Purchase Norfolk Power – Responses to Interrogatory Questions

Appendix B



CONSERVATION AND DEMAND MANAGEMENT JOB DESCRIPTION

Reporting to the Director of CDM, this position is responsible for managing and coordinating the delivery of Provincial Conservation and Demand Management (CDM) Programs within the Collus PowerStream service territory. The CDM Manager will coordinate with PowerStream's CDM Program Managers to leverage and apply PowerStream's existing delivery strategies/tactics/processes within the Collus PowerStream area.

Program Management

Manage the implementation of OPA-Contracted Province -Wide CDM Programs (Residential, Commercial/Institutional, Industrial and Home Assistance) within Collus PowerStream's service territory, including where required: vendor management, channel management, marketing execution, sales/outreach, program administration, customer care, and quality assurance/quality control.

Coordinate with PowerStream's CDM Program Managers to leverage and apply PowerStream's delivery strategies/tactics/processes within the Collus PowerStream area. For example, the marketing creative deployed in Collus PowerStream will be consistent with that developed for PowerStream.

Manage third party vendors under contract by Collus PowerStream for the delivery (in whole or in part) of CDM initiatives including, but not limited to: Small Business Lighting, Home Assistance Program, and Electricity Retrofit Incentive Initiative.

Establish relationships with local suppliers, associations and channel partners, as appropriate, to enhance the delivery of Collus PowerStream's CDM programs.

Promotion & Outreach

Answer general customer inquiries (phone, email) about Collus PowerStream's CDM programs

Coordinate the planning and execution of internal/external events for promoting Collus PowerStream's CDM programs, including workshops, trade shows and training sessions.

Support content development and production of CDM Program education/training materials

Support delivery of education/training materials at internal/external events

Program Administration

Assist customers with application processes for CDM programs. This required assistance will vary by program/initiative but may include:

- o Screening and approving applications (submitted via OPA's online application system or via paper submissions) and working with customers to correct any errors
- o Working with existing third-party delivery agents

Support Quality Assurance/Quality Control processes, including:

- o Providing administration/logistical support for on-site visits (appointment scheduling, developing itineraries, etc).
- o Conducting simple on-site visits to third-party service providers and/or program participants to ensure that programs are being implemented in accordance with program rules while providing a positive customer experience

Maintain good working relationships with internal support groups (Customer Service, Corporate Communications, Accounting etc.) and external parties (Municipalities, OPA, vendors etc) involved in the delivery of Collus PowerStream's CDM Programs

Oversee and coordinate reporting and financial transactions, such as the Pre-Billing Reports and annual spending report, between the OPA and Collus PowerStream.

Coordinate financial processes including: setting up purchase orders, tracking and processing invoices, and tracking overall spending against each vendor contract.

Monitoring & Reporting

Actively monitor and manage CDM program delivery, ensuring contractual compliance with OPA Master Agreement and Schedules.

Prepare and present monthly reports to senior PowerStream CDM staff on program performance, including: energy and demand savings, participation levels and operational issues/opportunities. Leverage PowerStream's existing reporting processes, templates and tools in the preparation of these reports.

Prepare Collus PowerStream's annual CDM report to the Ontario Energy Board.

Prepare and present, if required, quarterly CDM progress report for Collus PowerStream's Board of Directors.