



PRESENTATION TO COUNCIL MONDAY, MAY 30, 2011

2010 Annual Report
2011 – 2013 Business Plan



How to Read our Document:

The Business Plan focuses on both electricity and water.
The following name references will be used throughout the plan;

- Collingwood Utility Services** – is referring to both electricity and water
- COLLUS Power** – is referring to electricity only
- Collingwood Public Utilities** – is referring to water only



Who We Are



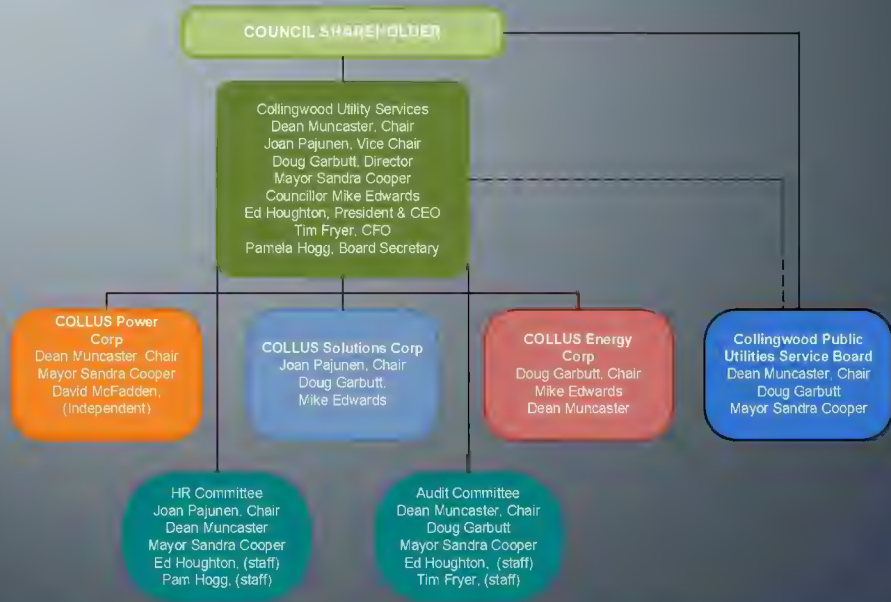
COLLINGWOOD UTILITY SERVICES IS A COMMUNITY OWNED UTILITY THAT PROVIDES RELIABLE ELECTRICITY AND WATER SERVICES TO ITS CUSTOMERS

Because we are community owned ...

- ✓ **We have** more control over our prices and are able to invest locally to manage reliability
- ✓ **We are proud to be actively involved in our community and support our community goals**
- ✓ **We are not only concerned, we are doing something about the environment**
- ✓ **We are able to offer the convenience of joint utility services**
 - ✓ **Our Council and our Citizens are our Partners**



Who We Are – Organizational Structure



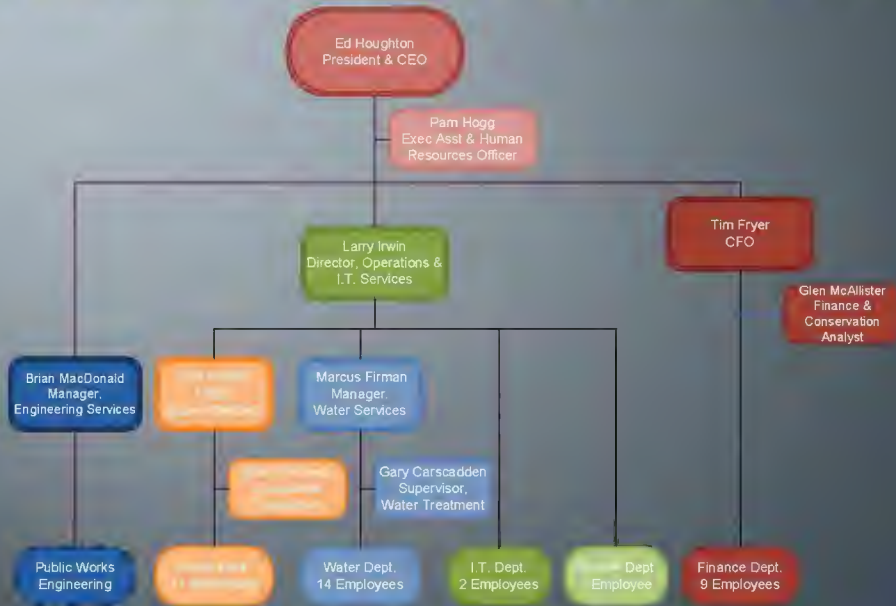


Who We Are – Organizational Structure

- **COLLUS Power** is comprised of three directors, one being the Mayor and the two other directors are appointed by Council. One of the directors must be totally independent of any affiliate.
- **Collingwood Public Utilities** is municipally owned and governed by a **Municipal Services Board** that from time to time when required reports to Council. The Board is comprised of three Directors, one being the Mayor with the other two appointed by Council. Existing municipal by-laws provide some strategic direction, outlines executive limitations and reporting requirements. Reporting of Board business to Council is done by Staff presentations at Council Meetings, issue updates via email from the President and CEO, and through Her Worship Mayor Cooper as our Council Representative.



Who We Are – Employee Structure Overview





Who We Are

Electrical Customer Class Breakdown

	Collingwood	Thornbury	Stayner	Creemore	Total Customers
Residential	9,950	1,300	1,760	590	13,600
< 50 kW	1,200	210	210	90	1,710
> 50 kW	90	15	10	5	120
Total Customers	11,240	1,525	1,980	685	15,430

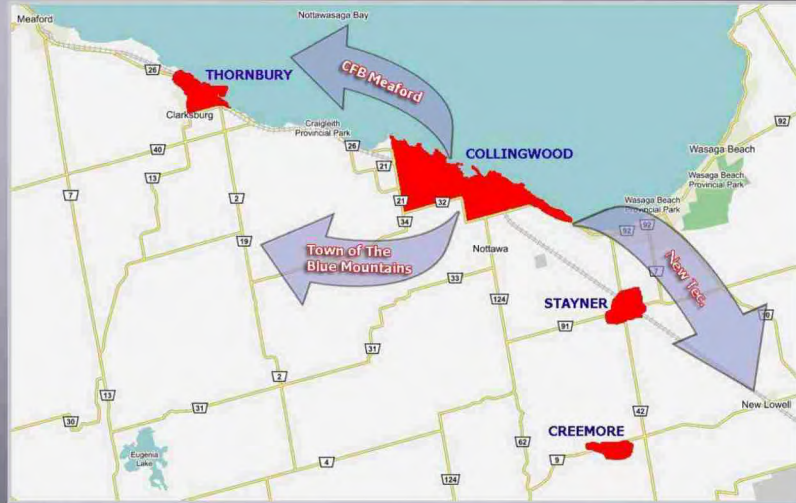
Water Customer Class Breakdown

	Collingwood
Residential	8570
General Service	730
Total Water Customers	9300*

** 30 Bulk metered Residential Multi-Units Approximately 1,200 Customers*



Service Territory



Contract Services

- ▶ New Tecumseth - Supply of Water to 66 Km Regional Pipeline
- ▶ CFB Meaford - Operation of Water & Wastewater Facilities
- ▶ Town of the Blue Mountains - Supply of Water
- ▶ Devils Glen Country Club - Operation of Water Treatment Plant
- ▶ Home Water Filtration Units - Sale and Installation of Units



Our Vision, Mission & Values

VISION - WHERE WE WANT TO GO

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

MISSION—WHO WE ARE

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

VALUES - HOW WE ACT

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



Corporate Goals

- The following corporate goals are designed to put into action and achieve the desired outcomes anticipated in the vision and value statements. By design, the corporate goals are limited in number, practical, manageable, and highly focused in relation to the activities of the corporation. A specific measure and associated values are presented in conjunction with each relevant goal statement.

1. TO PROVIDE SAFE, HIGH QUALITY OF WATER AND ELECTRICITY SERVICES TO ALL OUR CUSTOMERS.

Core Values:

- Trust-Building & Maintaining Customer Confidence, Committed to Service Quality, Reliability & Conservation

Performance Measure:

- Safety, Quality of Service, Legislative & Regulatory Compliance



Corporate Goals

2. To MAINTAIN A SOUND FINANCIAL POSITION WHILE STRIVING TO MEET THE FINANCIAL EXPECTATIONS OF THE MUNICIPALITY BY COMMUNICATING BUSINESS OUTCOMES TO THE OWNER.
3. To BUILD AND STRENGTHEN CUSTOMER RELATIONSHIPS.
4. To PURSUE NEW ENTREPRENEURIAL OPPORTUNITIES BOTH LOCALLY AND REGIONALLY WHICH BENEFIT OUR CUSTOMERS AND PROVIDE VALUE TO THE BUSINESS AND MUNICIPALITY/SHAREHOLDER.
5. To BUILD AND MAINTAIN A SUSTAINABLE WATER AND ELECTRICITY SYSTEM BASED ON A STRONG ASSET MANAGEMENT PROGRAM.
6. To SEEK AND ENCOURAGE EFFICIENT AND EFFECTIVE IMPROVEMENTS BY SUPPORTING INTEGRATED BUSINESS SOLUTIONS WHEREVER APPROPRIATE AND PRACTICAL.
7. To BE AN "EMPLOYER OF CHOICE" WHERE EMPLOYEES ARE PROUD TO WORK AND OTHERS WANT TO WORK.



Corporate Goals

8. **TO BE RECOGNIZED AS A LEADER IN ENVIRONMENTAL STEWARDSHIP.**
9. **TO PROMOTE CONSERVATION AND THE WISE USE OF WATER AND ELECTRICITY RESOURCES.**
10. **TO IDENTIFY AND BUILD STRONG COMMUNITY RELATIONSHIPS.**
11. **TO ENCOURAGE AND SUPPORT LOCAL ECONOMIC DEVELOPMENT.**
12. **TO PROMOTE AND ENCOURAGE THE ADVANCEMENT OF TECHNOLOGY AND INNOVATION CONTRIBUTING TO THE SYNERGIES BETWEEN OUR PUBLIC UTILITIES SERVICES (WATER & ELECTRICITY).**



Direction:

The Strategic Direction for Collingwood Utility Services begins with our customers, who elect a Council that looks after their best interests.

Our customers benefit from quality water and electric services and value local representation.



Reliability & System Performance - Power

MAJOR POWER INTERRUPTIONS 2010

- On April 6th Hydro One experienced an interruption on the Stayner M1 feeder at 10:00 am. Power was restored at 10:10 am. This only affected Barber Glass.
- An outage occurred at 3:50 pm May 8th on the Stayner M4 feeder. We opened our boundary switch and Hydro One energized. We sectionalized within our system and power was finally restored at 5:35 pm. A definite cause was not found, however there were high winds at the time.
- An auto-reclosure occurred on the Stayner M4 at approximately 7:30 pm on June 18th. The cause was a transformer failure at the Goodall Plant.
- An auto-reclosure occurred on the Stayner M4 at approximately 12:30 am July 19th. There was a bad thunder/lightning storm in our area at that time.
- An auto-reclosure occurred on the Stayner M3 feeder at 11:41 am August 8th. There was a bad thunder/lightning storm in the area at the time.



Reliability & System Performance - Water

- In 2010 there were 13 water main breaks, one (1) private water main break and 11 service breaks, seven (7) by contractors. Most main breaks were repaired within 12 hrs of notification and most services were repaired within 1 hr of notification
- On December 20, 2010 the MOE annual inspection was completed and once again did not generate a "Ministry Order". The review received an inspection rating of 100%
- The Drinking Water Quality Management System and ISO 14001:2004 Environmental Management System through the Operational Plan were successfully audited



Conservation and Demand Management:

- During 2010 in conjunction with the Green Energy Act (GEA), the Ontario Energy Board (OEB) and the Ontario Power Authority (OPA) the CDM code was introduced.
- The code sets out Provincially mandated energy savings over the next four years
- COLLUS Power target of 3.14 MW in Demand Savings and 14.97 GWh of Energy Savings represents 0.24 % of the provincial totals



Conservation and Demand Management:

- ▣ COLLUS has installed over 15,400 smart meters
 - ▣ On track to begin time of use billing by the end of 2011
- ▣ COLLUS has 6 roof top solar photovoltaic (PV), 1 ground mount solar PV and 1 hydroelectric grid connected generators
 - ▣ In addition there are 41 MicroFIT applications with the OPA for a total of 338 kW of generation
- ▣ Education is a key component of both the GEA and the CDM code
 - ▣ COLLUS has continued to provide our Renewable Resource trailer to Elephant Thoughts for their Earth Keepers workshop



The Environment & Conservation - Water

- Collingwood Public Utilities in conjunction with the Town is a member of the Great Lakes and St Lawrence Cities Initiative and has volunteered to take part in a water conservation Framework, which is a program to reduce residential water consumption levels by 15% by 2015 - In 2010 residential consumption was 24.6% less than 2000 levels. Residential usage in terms of litres per capita per day are currently at 176, one of the lowest in the Country
- In 2010 Collingwood Public Utilities issued 347 rebates for replacing old toilets with low flush models, saving 8000 m³
- Continued to undertake an annual leak detection survey to limit undetected water losses – 2010 infrastructure leak index of 1.08



Public Utilities Financials

FINANCIAL FORECAST (in million \$)	2009 Actual	2010 Actual	2011 Budget	2012 Forecast	2013 Forecast
Total Water Service Revenue	\$6.069	\$6.481	\$6.635	\$6.639	\$8.560
Total Operating Expenditures	4.282	4.518	4.601	4.772	4.903
Net Income before Interest and Amortization	1.787	1.963	2.034	1.867	3.657
Interest Expense	.353	.321	.325	.325	.250
Amortization of Capital Assets	1.986	1.956	2.135	1.645	1.825
Total Financial Expense	2.339	2.277	2.460	1.920	2.075
Net Income**	(.553)	(.314)	(.425)	(.102)	1.583
Earned Surplus - beginning of year	27.193	26.640	26.326	25.901	25.749
Earned Surplus - end of period	26.640	26.326	25.901	25.799	27.332
Capital Expenditures*	1.350	1.242	1.501	1.722	3.647

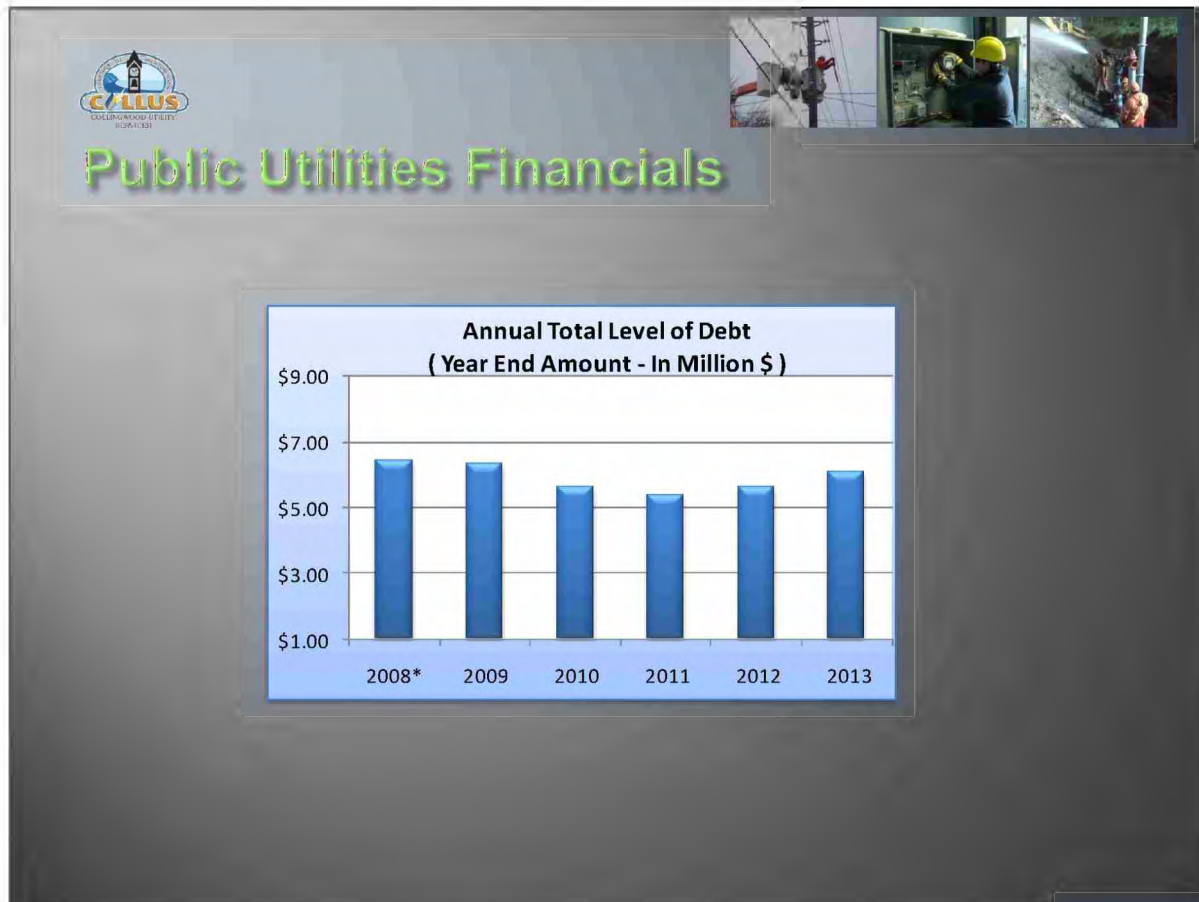
As part of our presentation to Council we would like to highlight some key financial information contained in the document. Page 31 is the start of the CPU section. A Summary Table for the period 2009-13 provides historical, current, budget and forecast Net income results as well as Net Capital Expenditure information that can easily be used for doing comparative analysis. Looking at 2010 we see that Water Service Rev is approximately 7% higher than 2009. Water Sales to all of our customers was only about 3% of this increase. The recording of DC spending as revenue was the other major contributor to the overall increase. Operating Expense increased by about 5% and major contributors were the impact of HST and increased electricity costs. This isn't as ironic as it appears because electricity pricing is set by the Province.

As we look then at Net Income it indicates a Net Loss of \$314,000. Council will be aware of the 2009 Public Sector Accounting Board changes that municipalities were required to institute. In the CPU case the major impact of conforming to the changes was what amounted to \$1M of increased Amortization /Depreciation expense. As noted earlier another major change is that DC spending or other direct contributions to construction are recorded into revenue in the year they are received. As indicated in the table some years may have a loss while others will show a net gain mostly based on spending of DCs. Looking at the 2013 forecast result this is due to a planned investment in further reservoir capacity.

The CPU Board and senior management have determined that the PSAB variance to our former GAAP recording methods produces a need to do further analysis to verify that our long-term plan, highlighted in the recently adopted Town of Cwood Water and Wastewater Full Cost Recovery Study Plan, will be achieved. We are just completing the next step in our Financial analysis process and will have it ready to provide to the municipality in the next few weeks. The CPU Board will be reviewing the 'draft' Financial Plan at their upcoming June 10th meeting.

We continue to be very confident that the 2011 Budget that has been set by the Board will fulfill the expectations of our

overall Financial Plan. An important gauge that we use in measuring our success in this endeavor is as always the level of debt results and expectations.



This next slide is a chart found on Page 34 of the document. The CPU goal has always been to maintain or reduce our Net Debt Level. As you will see the net impact in 2010 was a decrease as is the expectation for this year. Although the current forecast indicates the debt level could grow slightly we are continuing to examine the situation closely to find ways to get this to at least be no change for 2012 and 2013. We know it is important to have our Financial Plan document completed and in hand before we finalize what should happen in 2012 and 2013.

In closing then this is the specific information we wanted to provide to you during this part of the presentation. We realize that Council has been provided with very detailed financial information all of which we couldn't go completely into detail with here. I hope that my very brief summary has provided some clarity for you. I could now entertain any questions that Council may have about the CPU at this time though before moving on to COLLUS Power.



Collus Financials



Financial Forecast (in million \$)	2009 Actual	2010 Actual	2011 Budget	2012 Forecast	2013** Forecast
Total Operating Revenue	\$5.569	\$5.994	\$6.061	\$6.203	\$6.786
Total Operating Expenditures	3.869	4.281	4.092	4.278	4.423
Net Income before Interest and Amortization	1.700	1.713	1.969	1.921	2.363
Interest Expense	.179	.251	.274	.274	.274
Amortization of Capital Assets	1.004	.967	1.130	1.180	1.200
Total Financial Expense	1.183	1.218	1.404	1.454	1.474
Net Income before taxes	.517	.495	.565	.471	.889
Income & Capital Tax Expense	.68	.096	.135	.092	.143
Net Income	.449	.399	.430	.379	.746
Earned Surplus - beginning of year	1.867	2.316	2.715	3.145	3.524
Earned Surplus - end of period	2.316	2.715	3.145	3.524	4.270
Capital Expenditures*-not including smart meters	.926	1.930	1.405	1.935	3.270

We'll begin with a look at the same table of financial data that was used in the CPU case on Page 35. You'll notice right off a similarity to the CPU in that total gross revenue is approximately the same. We do require about the same amount (around \$6M) to provide the services that our customers require from us. Of course the similarities end when you consider that the CPU is both producing and distributing its product whilst COLLUS Power is only the municipal distributor of electricity for our service territory. There is another \$27M of charges for the production and transmission of electricity to get it to our borders for distribution and as mentioned before those charges are under Provincial control.

Another dissimilarity about our two companies is that the Ontario Energy Board rather than Council approves the distribution rates that can be charged. When we make our annual rate application to the OEB it is based on a calculation that includes an allowable rate of return on equity and debt. Formerly before the introduction of the Electricity Act in 1998 Ontario Hydro only monitored rates that were established by the then elected municipal Commissions. A system that in our opinion worked very well and now with de-regulation a new level of regulation is in place and it has impacted municipal electricity costs. For comparative purposes though Hydro One which is the other service provider in our area would charge rates that are at least 50% higher depending on the service designation of either urban or rural that our customers might be designated.

Looking then at the table 2010 Operating Revenue grew by over 7%. The major reason for this is that in 2009 the new cost re-based rates that the OEB allowed were only put in place for May 1st. So in 2010 those rates were in place for a full year compared to only 8 months the year before. The chart on the same page in the document indicates the breakdown of the main components of our operating revenue.

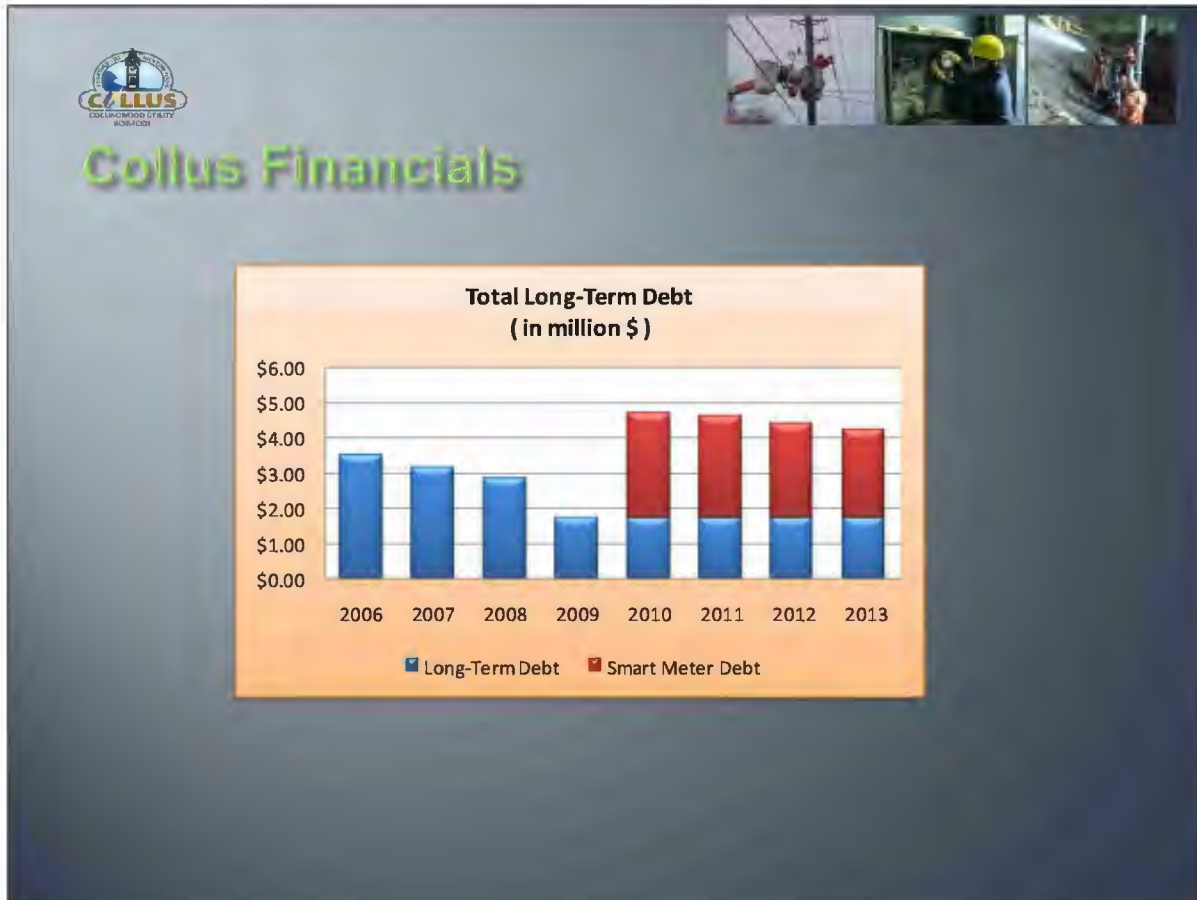
The information on the page also explains that the Extraordinary Expense was the reason that there was a large increase

in 2010. It would have been around only a 3.5% increase if it had not been for that expense. Of course this impacted Net Income as well by the indicated \$250,000.

As shown the 2010 result is a Net Income After Tax of \$400,000 and this result helps us maintain our strong financial position. The budget for 2011 that the COLLUS Power Board has established for management to operate within will ensure that this position is maintained.

The Capital Expenditure amount of close to \$2M is noticeably higher than the previous year as some expenditure on the new Substation on Sixth Street from 2009 was carried over for accounting purposes until completion in 2010. The Capital Plan for 2011 is set and one of the larger components will be the line work required along the Poplar Sideroad as part of the current revitalization work that is being done.

There is a note on the Capital Expenditure line that indicates Smart Meter Investment is not included in the amounts shown. As we move onto the next slide in our presentation I will elaborate a little on this to make it clearer to everyone.



A key measure for us to use to indicate how our financial position is going to be impacted is just as it was with CPU debt levels. The blue area of this graph indicates that our overall debt levels decreased over a five year period until what was remaining was only the \$1.7 M Promissory Note that the Town of Cwood holds with the utility. This promissory note provides an annual \$124,000 interest payment to the Town as it is set at an interest rate of 7.25%.

In 2010 there was a requirement to borrow additional funds and this was mostly due to the close to \$2.5M investment that had already been made into the new technology to meet the Provincial directive of having Time-of-Use technology and billing in place by the end of 2011. First I would note that we decided to borrow a total of \$3M in the Ontario Infrastructure loan because we have some further expenditure requirements in completing the TOU phase in and secondly because interest rates were very good at only 4.67%. This will ensure that we won't have to look towards further borrowing to meet cash flow requirements for some time.

The second thing that I would note is that all costs incurred towards the introduction and on going maintenance of TOU is recovered separately in our customer rates. The investment is tracked and the OEB has established carrying charge rates that are to be included and these help offset the interest expense of the loan. So the investment is tracked separately and therefore not directly included in our Capital Expenditure reconciliation.

As noted then there would have only been the promissory note amount which isn't really debt as it is held by the shareholder and the new loan is being paid down annually and will be for the 20 year term.

In summary just as I did with the CPU I would close my formal portion of my presentation and respond to any questions that Council may have about COLLUS Power, or for that matter any other item that comes to mind.



Collus Value Added

Company	Description	2009 Actual	2010 Actual	2011 Projected
COLLUS Power	Interest on Promissory Note	\$124,000	\$124,000	\$124,000
Public Utilities	Operations Center Rental	\$200,000	\$200,000	\$216,000
Public Utilities	New Tecumseh	\$96,000	\$96,000	\$96,000
COLLUS Solutions	In-kind Services	\$280,000	\$290,000	\$300,000
Public Utilities	In-kind Services	\$38,000	\$40,000	\$45,000
Public Utilities	Sewer Administration	\$88,000	\$90,000	\$100,000
COLLUS & Public Utilities	In-kind Community Services	\$40,000	\$40,000	\$40,000
	Total Cash	\$420,000	\$420,000	\$436,000
	Total In-kind Services	\$446,000	\$460,000	\$485,000
	Total Cash & In-kind	\$866,000	\$880,000	\$921,000

