

IN THE MATTER of the *Ontario Energy Board Act 1998*,
Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by COLLUS Power Corp. for an Order or Orders approving just and reasonable rates and other service charges for the distribution of electricity, effective.

COLLUS Power's RESPONSES TO
INTERROGATORIES OF THE SCHOOL ENERGY COALITION

Submitted November 28, 2008

1. Exhibit I--- Services Agreement- the Services Agreement between Collus Power Corporation and Collus Solutions Corp. states that the Agreement "does not limit the activities of [Collus Solutions]. Please:
 - (a) State whether Collus Solutions Corporation earns any revenues other than those derived from Collus Power Corporation;
 - (b) if yes, please provide the amount of those revenues, and their origin;
 - (c) if those revenues are not included as an offset to Collus Power Corporation's distribution revenue requirement, please provide an explanation as to why they are not.
 - (d) Please provide a copy of Collus Solutions Corporation's 2007 financial statements.

[illegible]

COLLUS Response: SEC IR # 1

a) ***The statement referred to in the above opening paragraph is a general policy statement meant to allow Solutions to use its resources to the fullest. Although it is noted in the original application for ease of reference we will mention here that COLLUS Solutions only has human resources. The resources are able to provide service to COLLUS Power, the Collingwood Public Utilities and the Town of***

Collingwood. The latter 2 companies are affiliates of the LDC and the CPU is charged on the same basis to apply cost to COLLUS Power, whereas the Municipality pays at a market rate for the small amount of services they are provided.

b) COLLUS Power's provides **Sch. SEC #1(b) – 1** in response to this question. This schedule provides both COLLUS Power and the CPU charges from COLLUS Solutions for the years 2006 and 2007. We have included some % comparison on cost allocation which indicates a consistency in the allocation of charges year in year out.

c) & d) COLLUS Power provides a copy of COLLUS Solutions 2007 financial statements as **Sch SEC IR #1 (d) – 1**. To respond to question #1 c), as the statements indicate, in 2007 the Net Income was \$30,931. Approximately 50% of this was interest revenue and the other \$15,000 was earned from the services provided to the municipality. These revenues earned do not relate to COLLUS Power Corp and therefore would not be an offset. When budget is set each year the COLLUS Solutions Board agrees to a “break-even” financial plan. In the past couple of years there has been a small profit.

[illegible]

2. Exhibit 1, Tab 2, Schedule 1, Appendix A: Table 1.2.1-3 provides a comparison of CPC's OM&A costs to "Mid-Size Southern Medium-High Undergrounding" Cohort grouping. Of the 15 utilities listed on the table, CPC is one of 6 of the 15 utilities listed in the table whose 2007 OM&A is higher than its 5 year average. CPC's 2007 OM&A is 6.6% above its 5-year average. Only Erie Thames (8.2%) and Welland Hydro-Electric System (14.3%) have a larger percentage difference between 2007 OM&A and 5-year average. Please explain CPC's relatively higher increase in spending in 2007 over its 5-year average as compared to the cohort.

[illegible]

COLLUS Response: SEC IR #2

It has been duly noted by COLLUS Power our position according to the Board's most recent 2007 OM&A report. Although the indications of this report are useful we have found in the past that it is important to know the placement of O&M separately and Administration by itself to better analyze and compare. The EDA's yearly Performance Measure Analysis report provides this information in this

format. We have further analyzed the COLLUS Power position and found that the higher overall spending is in the O&M category and that Administration Expense results are generally lower than most LDC's in the report.

The higher spending in O&M could be the result of COLLUS Power doing more work to maintain the distribution system than the average LDC. Also some LDC's may choose to capitalize certain work that COLLUS Power expenses. As the OEB continues to develop the comparative performance measures and expand the statistical data used to do an analysis of placement it will become more and more useful. Currently though it does not have all of the necessary detail.

Specifically regarding the question and to explaining the reason for those particular results, COLLUS Power outlined in the original application that in 2007 two additional line personnel were brought in. This was done to assist with a staff shortage and to prepare for retirement transitions that are upcoming. So this increased the overall cost to O&M and is one reason.

Additional information about comparative data and how it is used by COLLUS Power to measure itself against peer LDC's is provided in the response to Board Staff IR #1.10.

[illegible]

3. Ref: 2007 Financial Statement- CPC's balance sheet contains an amount, \$276,704 in 2007, for Goodwill. Please specify whether Goodwill is included in CPC's regulated rate base and if so in what amount.

[illegible]

COLLUS Response: SEC IR # 3

Goodwill is not part of the rate base.

[illegible]

4. Financial Statements, pg. 10: please provide details as to the entry "Amounts payable to the Collingwood Public Utilities Service Board" shown in the Notes to the Financial Statements as at December 31, 2007.

[illegible]

COLLUS Response: SEC IR # 4

As noted on the statements there was a total payable at December 31, 2007 of \$446,316.97. The major portion of this amount is \$310,117.93 which is the December water sales invoiced by COLLUS Power for the CPU. Another \$118,289 is for Water Miscellaneous A/R payments that were collected by COLLUS Power when customers paid. The remaining \$18,000 difference is adjustment entries for such things as charging the CPU back for the water portion of any bad debt write off by COLLUS Power based on its' year end process.

[illegible]

Rate Base and Capital Expenditures

5. Exhibit 2, Tab 1, Schedule 1, page 9. The exhibit states that the 2008 and 2009 capital Budget Plan for CPC accompany the Schedule as Appendix A, however, there is no Appendix A. Please provide a copy of the Capital Budget Plan.

[illegible]

COLLUS Response: SEC # 5

When COLLUS Power prepared the information on the 2008 & 2009 capital budget plan it utilized a document that is also used in it's COLLUS Power Board documentation. We did not notice the label Appendix B was on the header. It should have read Appendix A to match.

[illegible]

- (a) Confirm that the above percentage increases are correct;
- (b) Explain why capital spending appears to have been lower than the Board approved number in 2006 and is projected to increase by 17.8% - the highest percentage increase of any year shown – in 2009. Please explain, in particular, why this spending was not initiated sooner.

COLLUS Response: SEC IR # 6

a) COLLUS Power confirms that the percentages noted are correct.

b) After deciding to complete a very important upgrade/renewal to Municipal Distribution Station # 5 in 2007, capital spending in 2006 was curtailed. A reason for having to delay some capital spending plans was the announcement of pending closure by ALCOA our largest Distribution Service Revenue customer. Thus a slightly lower spending in 2006 than the Board approved amount. The substation spending in 2009 on the proposed MDS results in an increase of 17.8% and is made possible by the expected investment becoming part of the rate base in 2009.

In regards to capital spending plans as identified in the 2006 EDR application COLLUS Power was an LDC that had a “negative” return in 1999 and as a result was hindered by the Board’s decision to implement a floor of \$0 in the rate unbundling and implementation of Full Market Base Rate of Return rates. The 2006 EDR Board Decision agreed that it recognized COLLUS Power’s investment ability was reduced by this decision. The 2006 EDR approved capital spending plan included the renewal project on MDS #5 in 2007. COLLUS Power would have preferred to initiate this spending sooner but the reduced ability to earn a return forced the COLLUS Power Board to delay the project until 2007.

[illegible]

- [illegible]

[illegible]

- [illegible]

[illegible]

9. Exhibit 2, Tab 3, Schedule 1, pg. 8: regarding the decision to utilize a different solution than the SAP solution for the new CIS system, please:

- (a) Provide greater detail as to the reason for the change away from the SAP solution. Please include detail as to the different functionality and cost of the SAP vs. Harris NorthStar system.
- (b) Please explain also how the chosen system helps customers conserve on their use of electricity;
- (c) Please include any memos or reports to the Board of Directors in which this change is discussed.
- (d) Provide the estimated cost to CPC of the SAP solution versus the Harris NorthStar system;

COLLUS Response: SEC IR # 9

a) As noted in response to SEC IR #8, the COLLUS Power response to Board Staff IR #3.2 provides details that cover this question.

b) The system will help customers conserve by providing additional information as to their consumption of electricity at various times within the billing period. Currently the information provided on the customer invoice does not have the additional data that is expected to be available due to the introduction of time-of-use meters.

c) The Board of Directors approved the 2008 capital budget amount of \$600,000 when management reviewed with them the need to replace the current Customer Information System. Management has continued to update the Board verbally on the progress of the process of selecting the best option. As noted in the 2008 forecast for end of year spending the expected total cost of the expenditure is \$400,000. The COLLUS Power Board only requires th

d) Basically as indicated above the expectation was for spending of approximately \$600,000 for the SAP solution along with the associated requirements of implementing this software.

[illegible]

10. Please provide a copy of Exhibit 3, Tab 1, Schedules 1 and 2. The electronic version of the pre-filed evidence starts at Schedule 3.

[illegible]

COLLUS Response: SEC IR # 10

As noted the header label for this area is noting Schedule 3. The information associated with Schedules 1 and 2, as referred to in the Appendix index, is provided on the first page of Tab 1. It would have been more appropriate to label Schedule 3 as Schedule 1.

[illegible]

Other Revenue

11. Exhibit 3/3/5, pg 1: CPC states that "interest revenue due to retained earnings should not be considered as a revenue offset as it is separate from normal operations." Please explain whether the \$1,587,358.76 in retained earnings is included in CPC's rate-regulated rate base.

[illegible]

COLLUS Response: SEC IR # 11

COLLUS Power's response to Board Staff IR # 6.6 indicates agreement by COLLUS Power to remove this request and therefore addresses this question.

[illegible]

Operating Expenses

12. Exhibit 4, Tab 2, Schedule 3, pg. 2- please:

- (a) Reconcile the "OM&A Wages and Benefits" shown in the table at Exhibit 4, Tab 2, Schedule 3, pg. 2 (\$2.172 million for 2009) and the "Total Salary, Wages &

Benefits Charged to O&M" (\$1.012 million for 2009) found in the table at Exhibit 4, Tab 2, Schedule 5, pg. 5.

- (b) explain the 34.7% increase in OM&A wages from 2006 to 2009 (from the table at Exhibit 4, Tab 2, Schedule 3 pg. 2), an increase of approximately 8.5% per annum.

[illegible]**COLLUS Response: IR # 12**

a) Firstly in responding to this question we will indicate that Table 4 on Pg 5 provides an analysis of the wages and benefits of the various employee groupings (Executive, Management, Non-Union and Union). This amount was totaled on the Total Compensation line (Part 3 in Table 4) and this line matches the one from Table 2 on Page 2. Knowing the amount for the year and that the Union personnel have their expenses applied to maintenance and to a lesser degree capital cost centers, the bottom portion (Part 8 of Table 4) was to determine the amount of labor and benefits that is expensed to O&M. .

According to the information in the original application for 2007 Total Compensation of all categories is \$1,722,311 and of this the Union staff portion was \$792,044. For the Total Charged to O&M in Part 8 the amount is \$631,954 because there was \$160,090 of labor applied to capital related accounts in 2007. Then the Supervision portion, which is part of the Non-Union amounts, is added to the \$631,954 because all of Supervision is charged to O&M accounts. This provides the amount expensed to O&M in one of the years.

Since it is not directly indicated in the Table to reconcile the other years the capital portions used in the calculation are 2006 - \$125,000, 2008- 170,000 and 2009 - \$270,000.

That explains how to reconcile the form presented in the original application. An updated version of the form has been provided as part of the response to VECC IR #20 and #21. It has been enhanced to include lines that indicate the capital labor component. The data has changed slightly due to further investigation of the data. Basically though it is the same outcome and this is used to examine year to year impact.

b) As indicated in Table 2 on Page 2 and also in Part 3 of Table 4 on Page 5 the estimated impact of wage & benefit changes is 34.7%. During this period of time it is estimated that the staff contingent will increase by 17.5%. or just over 50% of

the total. This reduces the average change to just over 4% per year. This is mostly due to inflationary wage increases, higher than the average increases in health benefits and some upward movement by employees in wage scale after completing requirements for promotion.

Again we will note here that there are some new tables added in the other answers that further detail the reasons for variance.

[illegible]

13. Staffing- please:

- (a) Explain why the Executive and Management FTE are listed as 0.5 each. Do they split their time with another organization in the CP corporate structure? If so, which one?
- (b) Please provide greater detail as to CPC's demographic challenges given that the employee demographics (Exhibit 4, Tab 2, Schedule 5, pg. 1) show that, with the exception of the Meter Measurement-Super. (average age of 53.5 years and average years of service of 27), most employee groups are well short of retirement age or years of service.

[illegible]

COLLUS Response: SEC IR # 13

a) Yes the employees of COLLUS Solutions that provide service to COLLUS Power in these capacities also provide their service to Collingwood Public Utilities Service Board.

b) COLLUS Power's Operations staff contingent is not large, consisting of 10 full time employees. Each department has some younger employees thereby lowering the average age in a general sense. But each department, Operations and the electric meter for instance, have at least 1 or 2 senior employees approaching retirement age in the near future. We only reference approaching retirement age because of course there is not any retirement age from a mandatory standpoint any more. We have considered ourselves to be "short-staffed" for some time now and with new requirements by agencies like the ESA additional personnel are required. Thus the decision to add to the employee contingent in 2007.

[illegible]

14. Compensation (Ref: exhibit 4, Tab 2, Schedule 5, page 5 (Table 2)): Please explain why benefits costs appear to be increasing at much higher rates than all other components of compensation costs, in particular:

- (a) Explain why average benefit costs for Union employees has increased by 29% from 2006 to 2009.
- (b) explain why average benefit costs for Executive and Management employees have increased by 38% each from 2006 to 2009.
- (c) explain why average yearly benefits for the Executive (\$31,724 in 2009) are 62% higher than for unionized staff.

[illegible]

COLLUS Response: SEC IR # 14

a) In preparing response to this question we examined the cost of employee benefits for Life Insurance, Extended Health, Dental and Travel Insurance. In 2008 the rate per employee increased by approximately 10%. While this is only one component of the amounts that are included in Table 2's analysis it is a costly one. Not only is the insurance component related to salary but there are also other benefits that have higher impacts because of total salary. The non-salary components are typically applied on a single or family status, so when a single takes on family coverage this increases the overall cost as well

The yearly average of 7.5%, even though as noted a 10% impact on health benefits has been experienced in 2008, is based on a conservative estimate of rates for 2009. It is not clear enough at this point in time as to how the recent economic downturn will affect COLLUS Power in regards to benefits. It could result in higher increases in rates due to labor reductions and fewer members in the benefit “pool”, or due to increased enrolment in the plan as some employees may have been covered under a spousal plan and that gets eliminated.

b) As noted in a) some of the benefits have higher increases because they are salary dependent. The information indicates that this is about a 2% increased impact over the 4 year period.

c) It was determined during analysis of this question that the Executive amount was incorrect. Correction indicates a difference of approximately 15% which is due to family status, higher salary and longer term employees, compared to an average union employee.

As noted in question #12's response additional information is provided in the Board staff response.

[illegible]

15. Exhibit 4, Tab 2, Schedule 4, pg. 4, Table 1: please provide the basis for the allocations shown in Table 1.

[illegible]

COLLUS Response: SEC IR # 15

Table 1 is the basis used to allocate services and costs when COLLUS Solutions performs work for COLLUS Power. The Table indicates that for the employees of COLLUS Solutions not all of their labor cost is allocated out to either COLLUS Power and/or the CPUSB. A 5% portion remains part of COLLUS Solutions expense, as this is an allocation for the estimated vacation and sick leave expense. Since the rest of each employee's time is utilized performing services the workload is reviewed and the appropriate proportions are allocated to each of the affiliates.

For example under the employees who have their labor cost recorded to Management Exp. 5% of labor expense is COLLUS Solutions, 50% is COLLUS Power's expense and 45% is CPU's. As a general explanation it has been estimated that the employees providing these services to the affiliates, spend about 53% on COLLUS Power and 47% on CPUSB related work. Thus 53% of 95% is the 50% noted for COLLUS Power.

When expenses that are not labor related are allocated by COLLUS Solutions to the affiliates the general allocation factors are 60% COLLUS Power and 40% CPUSB. This is based on the customer accounts that have electricity (approx. 14,500) and water (approx. 8,500). This is what is typically applied but staff will investigate unusual items to ensure it is applicable.

[illegible]

16. Exhibit 4, Tab 2, Schedule 4, pg. 3: the evidence states that Collus Solutions Corp. also provides services to the shareholder (Town of Collingwood) and Collingwood Public Utilities. Please provide a table showing how Collus Solutions Corp.'s costs are allocated as between CPC and its affiliates.

COLLUS Response: SEC IR # 16

[illegible]

COLLUS Response: SEC IR #17

[illegible]

COLLUS Response: SEC IR # 18

13

- (b) Provide the distribution rate impacts by class assuming Streetlighting were moved to 70% revenue to cost ratio.

[illegible]

COLLUS Response: SEC IR # 19

a) COLLUS Power has not only the affiliated Town of Collingwood but also the Township of Clearview and the Town of Blue Mountains. These streetlight class customers result from having connection assets on the COLLUS Power municipal distribution system in the former towns of Thornbury(part of the Town of the Blue Mountains) and Stayner & Creemore (Township of Clearview). The application requests adjustment for the Streetlighting class that conforms to the OEB's decision in the 2008 COS application process.

b) If the Street Light class is adjusted to 70% the forecasted impact would be to have Distribution Service Revenue of \$199,359 as compared to \$119,863 if it remained just a movement of 50% of the difference. This is approximately a \$80,000 difference. Since the Residential class was the last class to be adjusted in the exercise of reallocating on a cost allocation basis, it means that Residential rates would be lower by \$80,000. In regards to Residential percentage impact it would be roughly 2.05% of \$3.9M (Proposed Distribution Service Revenue) which would equal \$80,000. This would be less than 1% of the Total Charges.

[illegible]

This concludes COLLUS Power's responses to SEC's interrogatories.

COLLUS POWER Response to SEC IR #1b

(Sch SEC IR # 1(b) - 1)

COLLUS SOLUTIONS SERVICES TO COLLUS POWER & CPU - 2006 & 7

ACTIVITY	2006 ACTUAL YEAR				2007 ACTUAL YEAR			
	POWER	%	CPUSB	%	POWER	%	CPUSB	%
Customer Billing	\$331,227.54	59%	\$228,876.95	41%	\$314,991.28	58%	\$228,095.80	42%
Meter Reading Expense	\$75,432.73	69%	\$34,195.62	31%	\$80,380.00	64%	\$46,060.31	36%
Executive Salaries & Expenses	\$108,814.34	67%	\$53,204.91	33%	\$126,349.62	65%	\$68,403.75	35%
Management Salaries & Expenses	\$58,553.60	52%	\$55,047.18	48%	\$64,947.18	54%	\$54,698.58	46%
General, Accounting & Administration Salaries & Expenses	\$392,938.18	59%	\$270,265.36	41%	\$441,517.28	62%	\$267,296.38	38%
Maintenance of General Plant	\$25,876.62	59%	\$18,178.70	41%	\$17,543.11	55%	\$14,629.53	45%
Overhead Accounts - Vehicle Expense	\$184,776.22	37%	\$319,465.71	63%	\$207,204.25	37%	\$346,528.54	63%
Engineering & IT Expense								
Sub-Total	\$1,177,619.23	55%	\$979,234.43	45%	\$1,252,932.72	55%	\$1,025,712.89	45%
Operations- Supervision	\$152,316.76	100%		0%	\$152,226.37	100%		0%
Operations - SCADA & Load Management	\$30,694.75	100%		0%	\$32,626.73	100%		0%
Water Filtration Expense		0%	\$2,217.25	100%		0%	\$1,670.26	100%
Water Mains Expense		0%	\$1,809.40	100%		0%	\$3,059.51	100%
Total	\$1,360,630.74	58%	\$983,261.08	42%	\$1,437,785.82	58%	\$1,030,442.66	42%

COLLUS SOLUTIONS CORP.

FINANCIAL STATEMENTS DECEMBER 31, 2007

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholder of **COLLUS Solutions Corp.:**

We have audited the balance sheet of **COLLUS Solutions Corp.** as at December 31, 2007, and the statements of income and retained income and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gaviller & Company LLP

Licensed Public Accountants
Collingwood, Ontario
March 3, 2008

COLLUS SOLUTIONS CORP.

BALANCE SHEET AS AT DECEMBER 31

	2007	2006
	\$	\$
Assets		
Current		
Cash	394,883	422,459
Accounts receivable (Note 3)	158,990	303,286
Taxes receivable	-	4,594
	553,873	730,339
Future taxes	46,351	43,782
	600,224	774,121
Liabilities		
Current		
Accounts payable and accruals (Note 3)	172,771	393,022
Taxes payable	1,901	-
Employee future benefits (Note 7)	243,955	230,433
Total liabilities	418,627	623,455
Shareholder's equity		
Capital stock		
Authorized		
Unlimited common shares		
Issued		
100 common shares	100	100
Retained income	181,497	150,566
Total shareholder's equity	181,597	150,666
	600,224	774,121

Approved on behalf of the Board:

_____ Director

_____ Director

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

STATEMENT OF INCOME AND RETAINED INCOME FOR THE YEAR ENDED DECEMBER 31

	2007	2006
	\$	\$
Revenue (Note 3)		
Accounting and administrative services	1,800,236	1,670,632
Miscellaneous	65,411	64,189
	1,865,647	1,734,821
Operating expenses (Note 3)		
Administration	23,051	23,137
Wages and benefits	1,793,554	1,685,512
	1,816,605	1,708,649
Income before taxes	49,042	26,172
Provision for (recovery of) taxes		
Current	20,680	9,262
Future	(2,569)	(5,640)
	18,111	3,622
Net income for the year	30,931	22,550
Retained income, beginning of year	150,566	128,016
Retained income, end of year	181,497	150,566

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2007	2006
	\$	\$
Cash flows from (for):		
Operating activities		
Net income	30,931	22,550
Items not providing funds		
Future taxes	(2,569)	(5,640)
	28,362	16,910
Changes in		
Accounts receivable	144,296	23,269
Income taxes	6,495	(18,069)
Accounts payable and accruals	(220,251)	238,997
Employee future benefits	13,522	29,687
Change in cash position	(27,576)	290,794
Cash position, beginning of year	422,459	131,665
Cash position, end of year	394,883	422,459

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

1. Significant accounting policies

(a) Revenue Recognition

Revenue from accounting and administrative services provided are recognized at the time of invoicing.

2. Tax status

The company is exempt from income tax under section 149 of the Income Tax Act. The company is required to make payments in lieu of tax calculated on the same basis as the Income Tax Act.

3. Related party transactions

The company, COLLUS Power Corp. and Collingwood Public Utilities Service Board are controlled by the council of the Town of Collingwood.

Related party transactions include the following:

	2007	2006
	\$	\$
Amounts receivable from COLLUS Power Corp.	13,942	-
Amounts payable to COLLUS Power Corp.	-	219,512
Amounts receivable from Collingwood Public Utilities Service Board	47,498	208,858
Amounts receivable from the Town of Collingwood	65,506	57,048
Amounts payable to the Town of Collingwood	5,320	7,029
Revenues include amounts charged to the following parties:		
Town of Collingwood	47,662	44,254
COLLUS Power Corp.	1,045,937	967,635
Collingwood Public Utilities Service Board	754,299	702,997
Expenses include information technology assistance to the		
Town of Collingwood	18,506	18,072
COLLUS Solutions Corp. is leasing computer equipment		
from Collingwood Public Utilities Service Board. This		
amount is included in the above netted expenses.	117,000	108,000

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

4. Economic dependence

As the company's sole source of income is derived from providing processing services to related parties its ability to continue viable operations is dependent upon COLLUS Power Corp. and Collingwood Public Utilities Service Board.

5. Financial instruments

The company's financial instruments consist of cash, accounts receivable and accounts payable and accruals. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Fair value does not vary significantly from recorded value.

6. Supplemental cash flow information

Cash receipts (payments) were made as follows:

	2007	2006
	\$	\$
Interest received	13,486	13,738
Interest paid	(109)	(1,840)
Taxes refunded	3,586	734
Taxes paid	(14,185)	(28,065)

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

7. Employee future benefits

The employees of COLLUS Solutions Corp. participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. Amounts paid to OMERS during the year totaled \$110,956 (2006 - \$101,974).

In addition, COLLUS Solutions Corp. pays certain benefits on behalf of its retired employees. The corporation recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit obligation at December 31, 2007 of \$243,955 and the net periodic benefit cost for 2007 was determined by actuarial valuations using discount rates of 5.0%. Actuarial valuations will be prepared every third year or when there are significant changes to the workforce.

Information about the company's defined benefit plan is as follows:

	2007	2006
	\$	\$
Accrued benefit obligation		
Balance at the beginning of period	230,433	200,746
Current service cost for the period	12,351	20,521
Interest cost for the period	13,159	12,183
Actuarial loss/(gain)	15,445	(758)
Prior period cost	7,609	9,511
Benefits paid for the period	(5,325)	(4,919)
Projected accrued benefit obligation at end of period as determined by actuarial valuation.	273,672	237,284
Unamortized actuarial (loss)/gain	(24,010)	758
Unamortized prior service cost	(5,707)	(7,609)
Balance at end of period	243,955	230,433
Components of net periodic benefit cost		
Current service cost for the period	12,351	20,521
Interest cost for the period	13,159	12,183
Amortization of actuarial losses / (gains)	94	-
Amortization of prior service cost	1,902	1,902
Net periodic benefit cost	27,506	34,606

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

6. Employee future benefits (continued)

The main actuarial assumptions employed for the valuations are as follows:

(b) General inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.1% in 2007 and thereafter.

(c) Interest (discount) rate

The obligation as at December 31, 2007, of the present value of future liabilities was determined using a discount rate of 5.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 2.9%.

(d) Salary levels

Future general salary and wage levels were assumed to increase at 3.3% per annum.

(e) Medical costs

Medical costs were assumed to increase at 9.0% in 2007 graded down 1.0% a year until 2011 after which the rate is assumed to increase 5.0% annually.

(f) Dental costs

Dental costs were assumed to increase at 5.0% in 2007 and thereafter.