



**association to protect
AMHERST ISLAND**

Without prejudice to all our rights

March 15, 2017

Ontario Energy Board
P.O. Box 2319
2300 Yonge St, 27th Floor
Toronto, Ontario, M4P 1E4

File No. EB-2017-0120

File No. EB-2014-0300

Attn: Ms. K. Walli, Board Secretary

Dear Ms. Walli:

**Re: Windlectric Inc. Proposed Amherst Island Wind Energy Project
Request for Information**

Dear Ms. Walli;

APAI notes that Windlectric Inc. submitted an application for an Electricity Generation Licence for the proposed Amherst Island Wind Energy Project on Feb. 28, 2017.

We understand that the OEB is currently reviewing Windlectric's application for completeness and therefore it is not available to the public. If the application is deemed complete and is posted, APAI requests a public hearing on the application.

APAI has the following questions:

1. How long will the completeness review take?
2. Has Windlectric Inc. received its Notice to Proceed (NTP) from the IESO?
We understand from Windlectric's response to APAI's Interrogatories, that application for an electricity generation license is made following the issuance of the NTP:

As required by the Ontario Energy Board, the Applicant will apply for an electricity generation licence subsequent to receiving notice to proceed from the Ontario Power Authority. (EB-2014-0300, Exhibit B, Tab 1, Schedule 4, Pg. 9 of 35)

3. APAI understands that an NTP cannot be issued by the IESO until all permits and approvals are in place. Windlectric Inc. requires a number of permits and authorizations before construction of the generation project can commence. These outstanding permits/authorizations were not identified in Windlectric's request for an extension of its OEB Approval for Leave to Construct the Transmission Facilities.

Please explain how the OEB decision-making process on the electricity generation licence can proceed without the following permits:

3.1 Mainland Dock Site and Cable Landing: Contaminated Lands

An amendment to the Certificate of Property Use (CPU) for the Mainland dock site, cable landing and trench for the high voltage transmission line was only submitted in late January 2017. The mainland cable-landing site is contaminated and the property owner INVISTA must obtain an amendment to the current "parkland" use to allow Windlectric Inc. to install the proposed transmission infrastructure. Without this amendment, the project cannot proceed. The MOECC is currently reviewing public comments on the application and a decision is expected in March/April.

3.2 Public Lands Authorizations - Recent correspondence between MNRF and APAI confirmed that one of the public lands authorizations has not yet been obtained by Windlectric Inc. The authorization relates to the submarine cable, a portion of which will be installed beneath the bubbler system where the two lines intersect, requiring construction on the lakebed.

3.3 Loyalist Township: Review of the Operations Plan including Use of Road Allowances and other Municipal Infrastructure

On Feb. 21, 2017, Loyalist Township advised Windlectric that:

the Township has suspended its review of the most recent submission of the Operations Plan until such time as all required supporting documents have been submitted to the Township.

<http://www.loyalisttownship.ca/index.cfm/council/amherstislandwindproject/>

On March 10, 2017 Windlectric Inc. submitted the third version of the Operations Plan for the Project along with a number of other reports, to the Township. The Township

review will take up to 45 days. One of the key issues in this review is the ownership of the road allowances on the main haul routes. Already two landowners are claiming ownership of the road allowances and legal actions are underway.

3.4 Windlectric has yet to negotiate a Roads-Use Agreement with Lennox-Addington County.

4. On March 3, Algonquin Power Utilities Corp. (APUC) announced that on December 20, 2017, Windlectric Inc. issued fifty percent of its common shares to a third party and as a result Algonquin Power no longer has a controlling interest in Windlectric. (See Attachment)

Further, that:

“The Company (Note: defined as Algonquin) is not considered the primary beneficiary of Windlectric as the two shareholders have joint control and all decisions must be unanimous...”

Windlectric Inc. has not yet provided additional information on the restructuring, the identity of the “third party” or potential impacts on the project timeline and operations, despite requests for clarification from APAI and Island residents.

APAI’s 350 members have grave concerns about the companies’ capacity, experience, and knowledge to undertake this \$295 million project on a small Island. The early days of dock construction did not serve to allay those concerns.

On Saturday morning, January 21st, 2017, during project construction activities related to the project’s island dock, one of the project’s contractors inadvertently contacted the ground conductor of the overhead distribution power line that runs parallel to Front Road. As a consequence, power was interrupted to a large number of homes on Amherst Island.

Windlectric is investigating this incident and the results of the investigation will be posted on the website next week.

Source: http://amherstislandwindproject.com/site_main/index.php/news/

1. How does the recent restructuring of Windlectric Inc. impact existing and future OEB decisions and the timing of these decisions?

2. What due diligence will the OEB undertake with respect to the new partners in the company?

Yours truly,

Michèle LeLay
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Attachment A: Extracts from the Algonquin Power 2016 Q4 Report – March 3, 2017

Algonquin Power & Utilities Corp.

Notes to the Consolidated Financial Statements

December 31, 2016 and 2015

(in thousands of Canadian dollars, except as noted and per share amounts)

8. Long-term investments (continued)

(d) Amherst Island Wind Project

Windlectric Inc. ("Windlectric") owns a 75 MW construction-stage wind development project ("Amherst Island Wind Project") in the province of Ontario. On December 20, 2016, Windlectric, a wholly owned subsidiary of the Company at the time, issued fifty percent of its common shares for \$50 to a third party and as a result is no longer controlled by APUC. The Company holds an option to acquire the remaining common shares at a fixed price any time prior to the date that is 90 days following commencement of operations which is expected in 2018.

Windlectric is considered a VIE namely due to the low level of equity at risk at that point. The Company is not considered the primary beneficiary of Windlectric as the two shareholders have joint control and all decisions must be unanimous. As such, on the transaction date, the Company deconsolidated the assets and liabilities of Windlectric and recorded its retained non-controlling investment in equity and notes receivable and payable at fair value. A net gain of nil was recorded on acquisition. The Company is accounting for its investment in the joint venture under the equity method. As of December 31, 2016, the Company's maximum exposure to loss of \$159,993 is comprised of the carrying value of the equity method investment as well as the carrying value of the development loan and outstanding exposure related to credit support as described in note 8(f).

(f) Development loans

The Company entered into a committed loan and credit support facility with Odell SponsorCo, Deerfield SponsorCo and Windlectric (collectively, the "Joint Ventures"). During construction, the Company is obligated to provide Joint Ventures with cash advances and credit support (in the form of letters of credit, escrowed cash, or guarantees) in amounts necessary for the continued development and construction of the Joint Ventures' Wind Projects. The loans bear interest at an annual rate of 7%-10% on outstanding principal amount until commercial operation date and either mature on that date or 5% thereafter until maturity date. The letters of credit are charged an annual fee of 2% on their stated amount. Any loan outstanding to Joint Ventures, to the extent not otherwise repaid earlier, is repayable in cash within 30 days of the fifth anniversary of the commercial operation date for Odell SponsorCo and Deerfield SponsorCo and December 31, 2018 for Windlectric.

As of December 31, 2015, the Company had outstanding loans of U.S.\$62,751 from Odell SponsorCo. Following acquisition of control of Odell SponsorCo LLC (note 8(c)), amounts advanced to the Odell Wind Project were eliminated on consolidation. The effects of foreign currency exchange rate fluctuations on these advances of a long-term investment nature are recorded in other comprehensive income effective August 5, 2016.

As of December 31, 2016, the Company had outstanding loans of U.S.\$1,789 (2015 - U.S.\$7,281) from Deerfield SponsorCo for development costs of the Joint Venture' Wind Project.

Following the deconsolidation of Windlectric (note 8(d)) on December 20, 2016, amounts advanced by the Company to Windlectric are no longer eliminated and instead are classified as notes receivable. As of December 31, 2016, the Company had outstanding loans of \$29,723 from Windlectric.

As of December 31, 2016, the following credit support was issued by the Company: \$26,854 letters of credit and guarantees of obligations on behalf of the Joint Ventures, to the utilities under the PPAs; a guarantee of the obligations of the Joint Ventures under the wind turbine, transmission line, transformer, and other supply agreements; a guarantee of the obligations of the Joint Ventures under the engineering, procurement, and construction management agreements; a U.S.\$7,614 surety bond and guarantee of the obligations of the Deerfield Wind Project under the decommissioning plan; a U.S.\$31,000 letter of credit and guarantee of the obligations of Deerfield SponsorCo under the construction financing agreement. The initial value of the guarantee obligations is recognized under other long-term liabilities and was valued at \$429 using a probability weighted discounted cash flow (level 3).

No interest revenue is accrued on the loans due to insufficient collateral in the Joint Ventures.

Development Division

The Development Division works to identify, develop and construct new power generating facilities as well as to identify and acquire operating projects that would be complementary and accretive to the Renewable Generation Group's existing portfolio. The Development Division is focused on projects within North America and is committed to working proactively with all stakeholders including local communities. The Renewable Generation Group's approach to project development and acquisition is to maximize the utilization of internal resources while minimizing external costs. This approach allows projects to mature to the point where most major elements and uncertainties are quantified and resolved prior to the commencement of project construction. Major elements and uncertainties of a project include the signing of a PPA, obtaining the required financing commitments to develop the project, completion of environmental and other required permitting, and fixing the cost of the major capital components of the project. It is not until all major aspects of a project are secured that the Renewable Generation Group's Development Division will begin construction or execute an acquisition agreement.

The Renewable Generation Group's Development Division has successfully completed, is constructing, and is developing a number of power generation projects. The division has successfully advanced a number of projects and has been awarded or acquired a number of PPAs. All of the projects contained in the table below meet the following criteria: a proven wind or solar resource, a signed PPA with credit-worthy counterparties, and meet or exceed the Company's investment return objectives. The projects are as follows:

Project Name	Location	Size (MW)	Estimated Capital Cost (millions) ³	Commercial Operation	PPA Term	Production GW-hrs
Projects in Construction						
Amherst Island Wind Project	Ontario	75	\$ 295	2018	20	235
Great Bay Solar Project ¹	Maryland	75	195	2017	10	146
Total Projects in Construction		150	\$ 490			381
Projects in Development						
Chaplin/Blue Hill Wind Project	Saskatchewan	177	\$ 345	2019/20	25	813
Val-Eo Wind Project ²	Quebec	24	65	2018	20	66
Total Projects in Development		201	\$ 410			879
Total in Construction and Development		351	\$ 900			1,260

¹ The total cost of the project is expected to be approximately \$145 million in U.S. dollars.

² All figures refer solely to Phase I of the Val-Eo Wind Project.

³ Estimated capital costs for U.S. based projects have been converted at the exchange rate in effect at the end of the current reporting period.

Projects in Construction

Amherst Island Wind Project

The Amherst Island Wind Project is a 75.0 MW wind powered electric generating development project located on Amherst Island near the village of Stella, approximately 15 kilometers southwest of Kingston, Ontario.

The project is currently contemplated to use Class III wind turbine generator technology consisting of 26 Siemens 3.0 MW turbines and is expected to produce approximately 235.0 GW-hrs of electrical energy annually with all energy being sold under a 20 year PPA awarded as part of the Independent Electricity System Operator ("IESO"), formerly the Ontario Power Authority, Feed in Tariff ("FIT") program.

The total cost to complete the project is estimated at approximately \$295 million.

The Renewable Energy Approval ("REA") was issued on August 24, 2015 following 29 months of review by the Ontario Ministry of Environment. An appeal of the REA was made to the Environmental Review Tribunal ("ERT") in 2015. The ERT decision to uphold the REA was issued on August 3, 2016. The project has since conducted final development and procurement efforts and is now under construction. A Divisional Court challenge of the favorable ERT decision was dismissed in the first quarter of 2017.

Since the REA decision, the Company procured the project turbines, submarine cable, and the main power transformer. Negotiations are in progress to engage the balance of plant constructor. Subject to receipt of final permits and negotiation of remaining agreements, final development and construction is expected to be complete in the second quarter of 2018.