



February 17, 2009
District Municipality of Muskoka
70 Pine Street
Bracebridge, ON
P1L 1A8

Attn: Mr. David Royston, District Solicitor

Re: North Bala Falls Small Hydro Project – Response to Possible South Dam Option

Dear Mr. Royston:

As a follow up to my February 10th letter, I was contacted on the weekend by the people to be presenting to District later today, in particular Mr. Mitchell Shnier. He asked me to comment on the attached sketches. I am not sure that this will be added to their presentation, but it is obvious from these additional sketches that the proposed Option 3 will not only entail reducing the energy production capacity of the project from 4.5 MW down to 2 or 3 MW, but they are proposing that SREL abandon the existing south dam and build a new dam downstream of it that would incorporate a new Bala Falls Road Bridge. This would also require a realignment of the Bala Falls Road and new underpass under the CP Rail line.

I would be remiss in my duties as Project Manager if I did not point out the very obvious issues with this modified proposal by the presenters to yourself and the councilors.

Firstly the realignment of the road would require us to acquire land currently privately owned by the CP Rail as well as gain permission to construct a new underpass under the very busy main line.

Secondly, while the presentation material given to the councilors (as posted on your website) indicates rehabilitation, this latest version incorporates a replacement of the existing Bala Road Bridge. It is unclear if they would have us demolish the existing bridge, but if so, the existing municipal services (water and/or sewer force mains) would also have to be dealt with. Rehabilitation and/or replacement of a road bridge is not, and never has been, in the scope of this project.

Thirdly, it is unclear where the proposed powerhouse would be i.e. either in the river or on the bank. There are obvious ecological issues with building it in the river. If it is to be built on the bank, than there would be very unfavourable changes in flow direction for the intake i.e. the water would have to turn two 90 degree turns, which would significantly reduce the head and thereby capacity of the project.

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Fourthly, this option has the same key issues as Options 1 and 2 explained in my February 12th letter: reduction in the flood passing capability of the south channel both during construction and after construction. Unless a suitable bypass channel is identified and/or constructed (and there is no obvious location for this), Bala Bay and Lake Muskoka would be at risk of flooding in the case of an extreme weather event during the construction phase, and during any unscheduled plant outages during the operations phase.

Finally, I am also very skeptical that the project would be able to produce the quoted 2-3 MW the presenters are assuming. They have suggested that by extending the draft tube down to the Moon River, they can utilize the head downstream of the powerhouse. Neither myself nor our consulting engineers Hatch Energy, have seen anything like the draft tube arrangement, for this sized project. It is generally felt that turbine suppliers would not endeavor to engineer and model test such an arrangement or be able to offer it at a sensible cost or with any kind of performance guarantee. In particular, intake submergence requirements and unit setting to avoid turbine cavitation WILL require a deep setting that will necessitate rock excavation/blasting, and this will be immediately adjacent to the railroad. Also, the runner elevation is currently set almost 5 m below the tailwater level. This is a required setting constraint. Therefore, a deep tailrace channel would have to be excavated all the way to flat water downstream of highway 169 i.e. under 2 important bridges.

To summarize, this option:

1. Reduces the capacity of the project from the current 4.5 MW to 2 or 3MW (if not less), or 44 to 66% of our current option. Associated revenues would also be reduced by 44 to 66%.
2. Additional costs associated with new alignment of Bala Falls Road.
3. Additional costs associated with Underpass under rail line.
4. Additional costs of new dam/bridge as per new drawings or just rehabilitation of an aging bridge as per the handout.
5. Additional costs associated with blasting a deep tailrace channel from the powerhouse down to Moon River to avoid cavitation.
6. Road and rail disturbances with respect to blasting tailrace channel under rail and bridges.
7. Complexities of obtaining private land for road realignment.
8. Risk of flooding Bala Bay and Lake Muskoka due to reduced flood capacity of south dam.

I would again like to point out that the rendering of our option 2 plan, that is included in the package to council was not created by SREL and is in no way represents our proposed project or how we have presented the project to the public. It was created by the presenters.

Please distribute this letter to council as you see fit.

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Also for your information I have attached a recent article from the Globe and Mail quoting Premier McGuinty's policy with respect to renewable power projects.

Please do not hesitate to contact me if you require any further clarifications.

Yours truly,

Swift River Energy Limited

A handwritten signature in black ink, appearing to read 'K. McGhee', written in a cursive style.

Karen McGhee, P.Eng
Bala Project Manager

c.c. Bruce MacTavish, Hatch

kmcghee

From: Mitchell Shnier [Mitchell@shnier.com]
Sent: February 15, 2009 1:05 AM
To: 'Ian Baines'; kmcghee-mke
Subject: Telephone Conversation
Attachments: South Channel Option 3 Elevation 20090214.pdf; South Channel Option 3 Plan 20090214.pdf

Hello Karen,

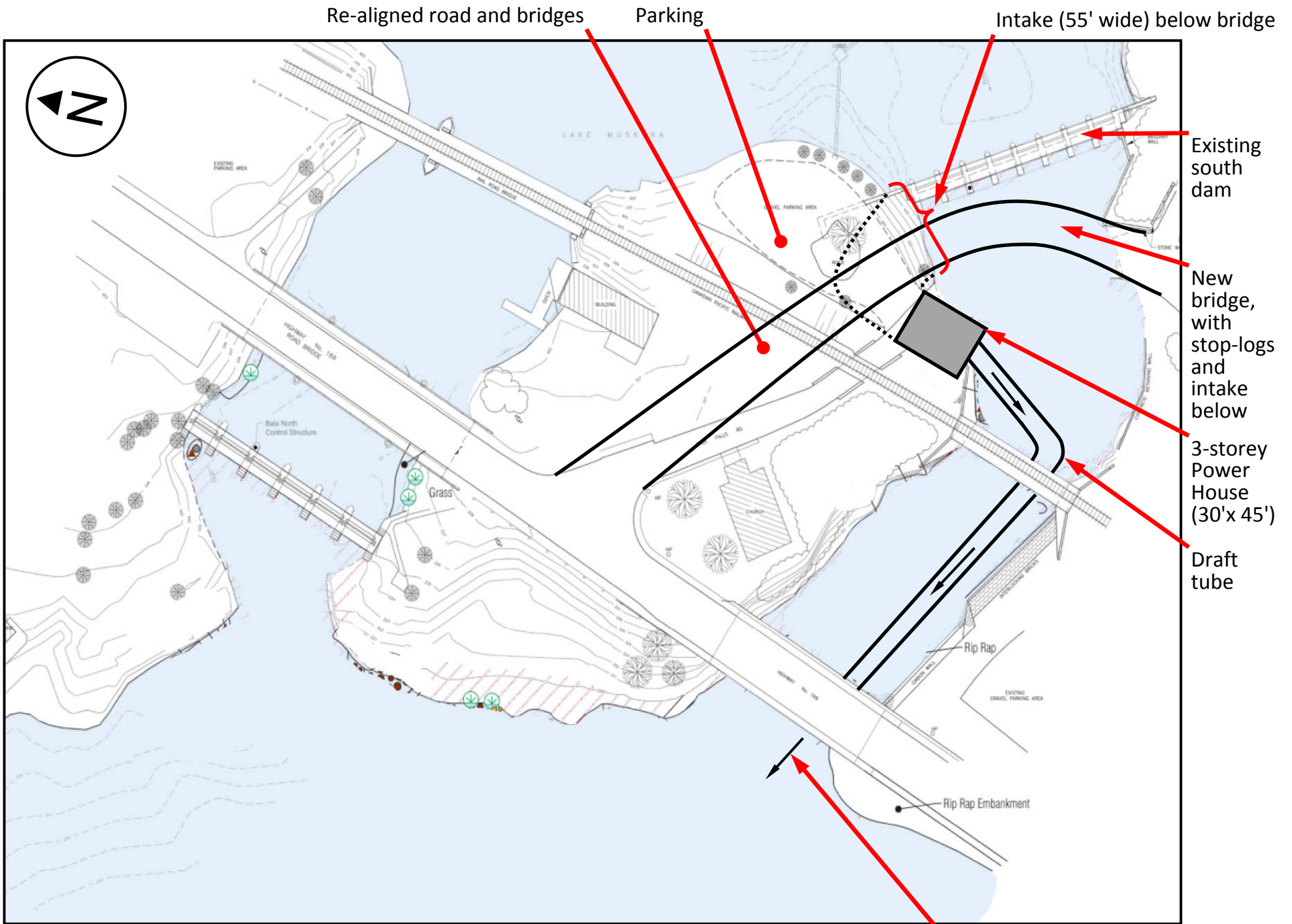
I have read your February 10, 2009 letter to the Township of Muskoka Lakes and as a result would like to discuss the attached. Would you be available Sunday or Monday for a telephone conversation.

Mitchell Shnier



Received from Mr. Shnier
Feb 15/09

Possible Option 3 Configuration



Received from Mr. Shnier
Feb 15/09

Possible Option 3 Configuration

Outflow

Clean energy coming to a backyard near you, McGuinty says

LONDON, ONT

The "not-in-my-backyard" syndrome that has created roadblocks for new energy projects will no longer be tolerated by the Ontario government, Premier Dalton McGuinty warned yesterday as he pitched his proposed Green Energy Act.

Mr. McGuinty told the London Chamber of Commerce the legislation will include provisions to stop special-interest groups or municipal governments from trying to block green energy projects for anything other than safety or environmental concerns.

"We're going to find a way through this new legislation to make it perfectly clear that Nimbyism will no longer prevail when it comes to putting up wind turbines, solar panels and biofuel plants," he told the business audience.

"We need those jobs. We need clean electricity, and we need to assume our full responsibility in the face of climate change."

Mr. McGuinty said the provincial government is hoping to create 50,000 new jobs from

green energy projects, adding he's convinced Ontario residents want those jobs in their communities, which means being a willing host to giant wind turbines or solar panel farms.

"Our new law will uphold rigorous safety and environmental standards, but once those standards have been met, we intend to assert the greater public interest in clean, green electricity and the jobs that come with it," he said.

"Municipalities will no longer be able to reject wind turbines, solar panels or biofuel plants because they don't like them. We can't allow interests to oppose these simply because they don't like them."

Mr. McGuinty acknowledged he included the tough talk on green energy projects because of a situation in London where officials at a sports facility are objecting to the building of a new biofuel generating station next door.

He said there are similar situations in his hometown of Ottawa and other communities across Ontario - communities that are also crying out

for new jobs.

"Rejection can only be based on a failure to meet safety and environmental standards," Mr. McGuinty said.

"As a society, as an economy, either we're committed to clean, green jobs or we're not. I say we are, and we'll take the necessary steps to ensure we move in that direction."

However, Mr. McGuinty wouldn't say what "hammer" the government would use to force people to accept new energy projects in their area, saying that would have to wait until the legislation is introduced.

The Premier said the bill, to be introduced later this month, would also elevate the importance of energy efficiency in Ontario's building code. The legislation will also expand Ontario's use of clean and renewable sources of energy and help combat climate change.

There have been few details about how the Green Energy Act will help the province meet its goal of creating 50,000 new jobs.

» *The Canadian Press*

Posted in Globe
and Mail on
Feb 11/09

IN BRIEF

Officer accused of violating street-racing law

Ontario Provincial Police officer had her licence pulled and her cruiser impounded after being accused of violating the province's street-racing law while on duty.

Ontario law allows police to speed in the execution of their duties, Inspector Dave Ross said. An officer was pulled over on Jan. 31 along Highway 403, clocked at 165 km/h in a 100 km/h zone, the OPP said yesterday. An investigation determined there was no call or assignment requiring the officer to drive that fast, Insp. Ross said.

Detective Constable Heidi Fischer was charged under the Highway Traffic Act on Friday with driving more than 50 km/h above the posted limit. Her unmarked police cruiser has been impounded for the week. » *Josh Wingrove*

Authorities warn of flooding risk

Unusually high temperatures for the season and a day of rain will raise the risk of flooding in southern Ontario, water authorities said yesterday.

"The warm weather today and tomorrow will cause a certain amount of snow melt. Coupled with the rain we're expecting, we're certainly anticipating flooding in low-lying areas," said a spokesperson for the Lake Simcoe Region Conservation Authority, north of Toronto.

Authorities are advising parents to keep their children away from waterways, which they say are dangerous due to the high flow of water and thin ice that could exist on parts of the Ontario river system.

» *Joe Friesen*

Tractor-trailer highway death leads to charges

The driver of a tractor-trailer that fell from Highway 427 onto the Queen Elizabeth Way highway in November, killing one person, has now been charged.

Jeremy Liedtke, 29, of London, Ont., is charged with dangerous driving causing death and two counts of dangerous driving causing bodily harm.

His vehicle hit the guardrail, and the truck's trailer fell onto the other highway below, crushing five vehicles and killing 53-year-old Harry Taylor of Oakville.

Mr. Taylor's 18-year-old daughter was with him in the car, but was not seriously injured. Three other people were sent to hospital.

Mr. Liedtke is to appear in a Toronto court on Feb. 25.

» *The Canadian Press*