

Ministry of the Environment

Environmental Assessment and
Approvals Branch

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Ministère de l'Environnement

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MAR 25 2011

Ms. Karen McGhee
Project Manager, P. Eng.
Swift River Energy Limited
kmcghee@m-k-e.ca

Dear Ms. McGhee:

Between October 13, 2010 and November 27, 2010, I received 105 requests asking that Swift River Energy Limited (SREL) be required to prepare an individual environmental assessment (EA) for the proposed North Bala Small Hydro Project (Project) in the Township of Muskoka Lakes.

I am taking this opportunity to inform you that I have decided that an individual EA is not required. This decision was made after giving careful consideration to the issues raised in the outstanding requests, Project documentation, the provisions of the Environmental Screening Process (ESP), and other relevant matters required to be considered under subsection 16(4) of the *Environmental Assessment Act* (EAA).

While I have determined that an individual EA is not warranted for the Project, I am placing the conditions set out below on SREL. Commitments made by SREL through discussions with MOE staff, as documented in the Environmental Study Report (ESR) and through agreements with stakeholders, such as Ontario Power Generation (OPG), must be fulfilled prior to the implementation of the Project.

As such, I hereby deny the elevation requests and impose the following conditions on SREL:

1. In order to ensure that the operations of the two downstream OPG hydroelectric facilities are not negatively impacted by the Project, SREL shall fulfill all commitments made to OPG in its letter of December 16, 2010, appended for your reference.
2. In order to avoid any impacts to the Cranberry Festival and other key tourism events within the Village of Bala, SREL shall implement all commitments made in the ESR and in discussions with MOE staff regarding the construction schedule for the Project including:
 - i. beginning construction after the October 2011 Cranberry Festival;
 - ii. commitments with regards to lane closures and reductions during the winter; and
 - iii. maintaining access to the municipal boat docks through the construction period.



3. SREL shall implement all commitments made in the ESR with regards to establishing a Public Advisory Committee with members of the public and affected stakeholders regarding the aesthetics of the Project and its surrounding landscape, during the detailed design phase of the Project.
4. SREL shall consider any recommendations from meetings of the Project's Public Advisory Committee mentioned in Condition 3.

In addition, as the Metis Nation of Ontario (MNO) has expressed concerns with the Project, I am hereby encouraging SREL to continue discussions with the MNO to resolve any outstanding issues. Please advise MOE of any meetings that may take place between SREL and MNO as they relate to this Project and MNO's concerns. SREL must follow the Addendum provisions in section B.5.2 of the Guide to Environmental Assessment Requirements for Electricity Projects should discussions with the MNO result in applicable modifications to the Project.

In accordance with the ESP, my decision will become final 15 calendar days after this notice of my decision is received, unless a request is made by one of the original requesters within that time that the Minister of the Environment (Minister) review my decision. This notice is deemed to be received on the fifth day after it is mailed. Please note that the details for requesting that the Minister review my decision are outlined in section B.4.1.2 of the Guide to Environmental Assessment Requirements for Electricity Projects. If you do not have a copy of this guide, it is available on the Ministry of the Environment's web site.

If no request is made to the Minister to review this decision, SREL must submit the required Statement of Completion and may proceed with the Project, subject to any other permits or approvals required.

Please note that the contravention of the EAA, including failure to comply with the ESP and the commitments made in the Project ESR and with OPG, may result in prosecution under Section 38 of the EAA. This decision is made with the understanding that SREL recognizes the importance and value of the EAA and that these commitments will be fulfilled.

Yours sincerely,



Agatha Garcia-Wright
Director

Environmental Assessment and Approvals Branch

c: Mr. Larry King, Consultant Project Manager, Hatch Energy
Requesters
EA File No.EA06-07 North Bala Small Hydro Project



December 16, 2010

Ontario Power Generation Inc.
700 University Avenue H18-A22
Toronto, ON
M5G 1X6

Attn: Ms. Joan Frain, Manager – Water Policy & Planning

Re: North Bala Falls Small Hydro Project

Dear Joan:

Further to our correspondence over the last year regarding SREL's proposed North Bala Falls Small Hydro Project and OPG's elevation request, we hereby agree to the minimum conditions as outlined in the attached document prepared by OPG.

Respectfully,
Swift River Energy Limited

A handwritten signature in dark ink, appearing to read 'A Zwig', is positioned above the printed name and title.

Anthony Zwig
President

c.c. Adam Sanzo, EAAB, MOE

2300 Yonge Street
Suite 801, P.O. Box 2300
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December 15, 2010

Swift River Energy Limited Partnership ("SREL") is planning to construct and operate a 4.3MW hydroelectric power facility approximately 25m south of the existing North Bala Dam on the Moon River, in the village of Bala, Ontario (the "Proposed Undertaking"). Ontario Power Generation Inc. ("OPG") operates two facilities downstream of the location of the Proposed Undertaking, namely Ragged Rapids G.S. and Big Eddy G.S. OPG is concerned that the planning, construction and operation of the Proposed Undertaking will negatively impact on OPG, including the existing operation of the above named facilities, OPG's compliance with the obligations under the Muskoka River Water Management Plan ("MRWMP") with respect to the water levels at Bala Reach and Big Eddy G.S., and discharge from the Moon Dam during the walleye spawn period. In order to prevent the Proposed Undertaking from causing a negative impact on OPG, SREL has agreed that the planning, construction and operation of the Proposed Undertaking shall, at a minimum, meet conditions 1-8 set out below (the "Minimum Conditions").

1. The Proposed Undertaking shall be operated only as a run-of-the-river facility, incorporating a flow plan developed weekly in consultation with the Ministry of Natural Resources ("MNR") and OPG, based on the conditions forecast for each week. The facility would initially be run flat under normal flow conditions (i.e. no load cycling of the unit throughout the day). The intent of this condition is to simulate the status quo (i.e. a manually operated dam at Bala). After the facility is placed in service, if SREL can demonstrate to the satisfaction of OPG, that the operation of the Proposed Undertaking can be optimized without negative impacts to OPG's facilities, lands, operations, existing permits, approvals or licensed conditions of operation, revenue or cost streams, then, OPG is prepared to enter into discussions on possible means of amending this condition. For greater clarity, it is up to the SREL to ensure that such changes are acceptable to regulatory authorities, including the MOE and the MNR. .
2. Lake Muskoka would not be used as storage with respect to the operating regime of the Proposed Undertaking.
3. When Inflow at the Proposed Undertaking is less than 26 cms (the minimum operating capability of Ragged Rapids GS), the Proposed Undertaking shall be cycled such that its operating discharge is 26 cms or more. Compliance with the WMP and public safety will continue to be ensured. During summer months, this discharge is to be timed in order to provide adequate navigable water conditions for Go Home Lake on Friday and Sunday evenings. This requirement would be included in the weekly flow plan.
4. When Inflow at the Proposed Undertaking is greater than the discharge capacity of Ragged Rapids GS, then SREL or the operator of the Proposed Undertaking as the case may be, shall provide OPG notice, of a minimum of forty-eight (48) hours, with respect to water adjustment plans so that OPG may coordinate the Moon Dam log adjustment, regulate the elevations at the Bala Reach, and thereby comply with the MRWMP.
5. To ensure no impacts to OPG compliance under the MRWMP with respect to the walleye spawning period, ranging from approximately April 15th to June 1st of any year, during such period, the Proposed Undertaking shall be operated with no cycling of units (i.e. run flat). A continuous minimum discharge shall be provided as required by the MRWMP.
6. As soon as the information is available, and in any event, prior to the commencement of construction of the Proposed Undertaking, SREL shall provide to OPG the equipment discharge characteristics, and any studies and modeling information with respect to the operation of the Proposed Undertaking. OPG will review such information to ascertain the nature and impact of the operating regime for the Proposed Undertaking on OPG's facilities, lands, operations, existing permits, approvals or licensed conditions of operation, revenue or cost streams.
7. In the event that OPG is of the opinion that the studies or modeling information provided under condition 6 indicate impacts from the Proposed Undertaking to OPG's facilities, lands, operations, existing permits, approvals or licensed conditions of operation, revenue or cost streams, OPG shall

notify SREL, MOE and MNR immediately. SREL agrees to mitigate such negative impact on OPG immediately so that the Proposed Undertaking will not have the impacts identified by OPG, and agreed upon by SREL, MOE and MNR.

8. SREL agrees to enter into a communications protocol to ensure that the communication and notification specified herein is carried out effectively.