PW-B2-1

Algonquin

LEGISLATIVE SERVICES			
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POWER INVESTED.

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September 30, 2011

Norman Lee
Director, Waste Management Division
Region of Peel
10 Peel Centre Dr.
Suite A, 4th Flr.,
Brampton, ON
L6T 4B9

Re: Algonquin Power Energy From Waste (APEFW) – Waste Supply Agreement Proposal

Dear Norm;

Following the direction we received from Peel Regional Council and our recent discussions, please find attached a term sheet, subject to council approval and the final negotiation of a mutually acceptable agreement that outlines what Algonquin believes is the best option for an ongoing contract to provide the Region of Peel with a made in Peel and made in Canada waste disposal option. In addition this proposal also addresses the Region's diversion from landfill objectives by maintaining the beneficial reuse of bottom ash from the facility.

The primary terms of this proposal are as follows:

- Five year term, with an option to renew for up to five years.
- Two pricing options:
  - Flat fixed rate all-in tip fee with no CPI escalation for initial five year term, five year tip fee: $112/tonne.
  - All-in tip fee with annual CPI escalation, initial tip fee: $106/tonne.
- Commitment to continue to process bottom ash in support of the Region`s landfill diversion objectives.

There are several other issues that the attached term sheet addresses;

All In Tip Fee:
Algonquin proposes to take full responsibility for the waste once delivered to the APEFW facility, specifically regarding the processing, management, and ultimate disposal of the residues resulting from the operation of the incinerator. This will also include responsibility for payment of property tax, sorting and disposal of UNA, management of the Public Liaison Committee, and annual stack testing.

REFERRAL TO
RECOMMENDED
DIRECTION REQUIRED
RECEIPT RECOMMENDED ✓

PW-B2-2

Algonquin

Disposal of Bottom Ash:
Algonquin is committed to working with the Region to ensure that the Region's waste diversion objectives continue to be achieved through the beneficial reuse of bottom ash fines from the APEFW facility. Algonquin understands that on acceptance of this proposal the Region will do its best to facilitate discussions between Algonquin and WMCC for the purposes of assisting Algonquin to make direct arrangements with WMCC for the disposal of bottom ash overs and the beneficial use of processed bottom ash at WMCC's Twin Creeks (or other Canadian) landfill.

Algonquin also understands that although it is the Region's preference that Algonquin has a direct arrangement to dispose of bottom ash, if despite best efforts such a direct arrangement cannot be arranged the Region is prepared to work on two different alternative bottom ash disposal options:

1) The Region would be prepared to continue having direct responsibility for the disposal and beneficial use of bottom ash, as it does today, subject to an appropriate price adjustment.
2) If Algonquin is not prepared to leave ash management with the Region as described above, the Region would be prepared to ask WMCC if it is possible to have AP's ash managed through the Region's agreement with WMCC. This option is the least preferred option for the Region and would be entertained only if it was achieved, at no added cost or risk to the Region.

Regardless of the option selected for the disposal of bottom ash, Algonquin's intent is that the Region would bear no additional cost above what is proposed in the attached term sheet. In addition, if with the Region's assistance Algonquin is able to make an arrangement with Waste Management to dispose of bottom ash, Algonquin will not subsequently during the term of the extension contract, cease to use that disposal site without the consent of the Region

Algonquin has proposed a five year term, rather than a two year term, for several reasons. Most significantly;

- Algonquin is currently negotiating with the Ontario Power Authority regarding a new power purchase agreement for the facility. The Ontario Power Authority has indicated that contract terms of 5 and 10 years are being negotiated. As such without a clear source of waste for the APEFW facility it is unlikely that the OPA will approve a 2 year contract. Without a contract APEFW would be forced to accept market power rates which have been averaging $35/MWh over the last several years, this is compared with the current contract with PPA rates in the $60-65/MWh range or the Durham-York EFW facility with PPA rates of $~85/MWh.

- In addition there are significant capital investments that need to be made at the plant to ensure efficient and reliable performance at the facility over the next contract term. In the event of a

PW-B2-3

Algonquin

two year contract extension, it would be impossible for Algonquin to justify the investment of some of the needed capital. Without this capital investment the reliability and availability of the facility would suffer. In addition the operating costs would increase at the facility – due to the inability to properly invest the required capital.

Included in this proposal is an option for a flat, non-indexed price over the initial five year contract term. Algonquin believes that the price certainty represented in this proposal provides significant planning benefits to the Region in return for providing waste supply certainty for Algonquin. Under this option, the price during any extensions (i.e. years 6 to 10) would be equal to the price under the indexed price option.

Finally, as indicated previously Algonquin will commit to a number of capital improvement projects to ensure long-term reliable operation at the facility.

I appreciate the time that you and your staff have taken to work with Algonquin on this issue and am pleased to make time to discuss this extension option with you and your staff.

Sincerely,

Michael Griffin, P.Eng.
Director, Asset Management

cc: Emil Kolb, Region of Peel
David Szwarc, Region of Peel
Dan Labrecque, Region of Peel
Ben Shepard, Region of Peel
Chris Jarratt, Algonquin Power
Mike Snow, Algonquin Power
Frank Amaral, APEFW