



September 19, 2008

The Honourable Donna H. Cansfield
Minister of Natural Resources
Ministry of Natural Resources
6630 Whitney Block, 6th Floor
99 Wellesley Street West
Toronto, ON M7A 1W3

Dear Minister:

I am writing to you to voice my objection to the Ontario Government's support for the new hydroelectric power project being proposed by Swift River Energy in Bala. I am acquainted with large capital projects as I am currently Vice-Chairman of one of Canada's largest mining companies. I also own a house on the Moon River where I have recently spent a large sum of money. My property, which has been in our family for 36 years, was the site of the first house built on the Moon River in 1917. As such, I am acutely aware of the potential dangers to property and people from flooding and increased water flow in what can only be described as a very populated area. I believe I am also uniquely qualified to comment on this proposed project as I own the two pieces of land adjacent to the existing "mill stream" hydroelectric station, which I cohabitate with quite seamlessly.

I understand the Ontario Government's commitment to renewable energy and that is laudable; however, this project should not proceed for the following reasons:

1. The extra 90 cubic metres of water per second that the dam will allow could make the Moon River even more dangerous during periods of high waterfall and snow melt. With all due respect to MNR, they do a very poor job regulating the flow currently and the real bottleneck is the "Moon chutes" where the entire Algonquin watershed has to pass through four miles downstream from the Bala Falls. It is only eight feet deep! Increasing the flow at the Falls by up to 40% will only exacerbate the problem, since it would be remotely controlled and the new dam owners would certainly want to put through as much water as possible to maximize profit.

2. This project is uneconomic. Without the 100% subsidy from the Government this project would not be under consideration. It is my understanding that Swift River is guaranteed 12 cents per kilowatt hour for 25 years. By comparison, Algonquin Power, the owner of the existing "mill stream" dam receives six cents. Algonquin cannot even justify making the investment to upgrade the original turbines in that station which were originally installed in the 1890s. I believe that a \$3 million investment and upgrade could triple the output from this existing hydroelectric plant. Why not allow them to receive the subsidized rate and have no completion risk or new disturbance?

Furthermore, Algonquin Power, which is publicly traded on the TSX, did not have any interest in building the new proposed project. I believe it was because the economics are too shaky. Swift River has no balance sheet, track record or management depth. They use consultants for virtually everything. They are providing no bonding for a risky construction project. I don't think any "real" companies were interested. This Big Brother attitude of the MNR and Provincial Government has the hallmark of a private sector initiative with implicit government backing. My observation here is that most enterprises with this structure have a sad ending. It is the people and stakeholders in Bala that will bear the brunt of this potential debacle.

3. The primary reason that Bala's main industry, tourism, exists is the Bala Falls. It has been there 140 years. An 18 month construction schedule, if that optimistic projection is met, would wreak havoc on the citizens of Bala and the business owners. They are already reeling from a reduction in visitors due to higher gas prices. My mother operated a successful retail business in Bala for over 30 years and a large construction project, for example when sewers were installed, severely affects the amount of vehicular traffic.

Of more importance though is the permanent change to the Falls that would occur if this project gets developed. The South Falls would only be a stagnant trickle, as more water will be directed to power the new turbine. Instead of a majestic looking waterfall, we will have an industrial plant to look at. I do remember when there existed another hydroelectric plant on this site but it was deemed uneconomic in the 1950s and stopped operations and was finally torn down in the 1970s. What has changed? We have many more visitors to Bala and the Moon River is much more densely populated. The more than 400 homes and cottages pay a serious amount of tax every year. There are now many expensive homes at risk!

I have not touched on the potential impact to fish habitat or increased danger on the Lake Muskoka side where water flow will increase considerably, but these too are real issues. I believe the intent was good and I support harnessing our natural resources but this plant has the potential to be too detrimental to so many people. Support in the community for this risky project is almost nil. I believe the residents of Bala and all those that could be affected will fight this development to the bitter end. Why not build a power dam where its construction and operation would not be so disruptive? There has to be thousands of potential sites.

Thank you for your attention to this very important and controversial subject.

Sincerely,

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

Ian McDonald
Vice-Chairman and Director

cc: Honourable Dalton McGuinty, Premier of Ontario
Honourable George Smitherman, Ministry of Energy and Infrastructure
Honourable Greg Sorbara, Tourism Competitiveness Study
Honourable Peter Fonseca, Ministry of Tourism
Honourable Aileen Carroll, Ministry of Culture
Honourable Harinder Takhar, Ministry of Small Business and Consumer Affairs
Deputy Minister David Lindsay, Ministry of Natural Resources
Mr. Gord Miller, Environmental Commissioner of Ontario
Mr. Mark Gidley, Gidley Real Estate, Bala