

FRENCH RIVER DELTA ASSOCIATION  
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February 24, 2012

The Honourable Michael Gravelle  
Minister of Natural Resources  
Whitney Block  
6<sup>th</sup> Floor Rm 6630  
99 Wellesley St. West  
Toronto, ON  
M7A 1W3

Dear Minister Gravelle

**Re: Proposed Allen & Struthers (Wanapitei River) hydro electric project**

We are writing you to ask you NOT to approve Xeneca Power's proposed Allen & Struthers (Wanapitei River) hydro electric generating station project. Although we are strong supporters of renewable energy, this particular project presents a serious danger to the French River and the French River Provincial Park's ecosystem.

Many renewable energy projects have significant environmental and economic benefits, but neither is true of this project. The project faces extensive opposition due to its long-term effects on our local ecosystem, water quality, and economy. Allowing it to proceed would be inconsistent with the MNR's Statement of Environmental Values.

***About us***

The French River Delta Association consists of cottage owners and local business owners who depend on the French River ecosystem, and who would be harmed by the proposed project. We are committed to ensuring that this ecosystem is sustained for future generations.<sup>1</sup>

We support the Henvey Inlet First Nation, which strongly opposes the proposed project. We congratulate you on your commitment to First Nation involvement. During your January 21, 2012 address to NAN Members, you said: "And while I firmly believe that we share the same

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<sup>1</sup> We support the Hydromega/Dokis First Nation Project on the French River and the Henvey Inlet First Nation wind project. We are also meeting with Waterpower Group on February 29, 2012 to review their proposed project at Secord Rapids on the Wanapitei River. We will reserve judgment on this project until after our meeting with the proponent.

goals, I do want to take this opportunity to emphasize our commitment to local decision making for each First Nation community as we move forward together.”<sup>2</sup>

### ***Allen & Struthers (Wanapitei River) Hydroelectric Generating Station Project***

The Allen & Struthers project would be located just above the Sturgeon Chutes on the Wanapitei River, a scant 200 metres upstream of the French River Provincial Park and the Wanapitei River’s important and irreplaceable delta.

According to the initial Project Description, the proposed project would be very small, with a stated production capacity of approximately 2.8 megawatts (however, based on Mr. Holmes’ public admission,<sup>3</sup> the actual production will only be 1.7 MW). It would include 3 dams, a 20 kilometre transmission line, and an access road of undetermined length in a currently inaccessible area.

### **Environmental Harm**

Our research and our environmental consultants’ research and advice indicate **that this Wanapitei River project will cause irreversible environmental harm and seriously damage the local economy.**

Tourism is the economic mainstay of the French River and French River Provincial Park area. Tourists and cottagers are drawn by the natural beauty, isolation, the purity of the water, and abundant fisheries and wildlife. All of these would be imperiled by the proposed project. For example:

1. The project would create a large impoundment area, estimated at 700 hectares. The impoundment would flood large wetland areas resulting in increased water temperatures and reduced oxygen content, making it less suitable for many fish species.
2. Along with the high nutrient concentrations in the river, the impoundment would increase the likelihood of toxic algal blooms throughout the delta – a major health risk to aquatic species and mammals, as well as to humans who use the water for recreational and residential purposes.

If this dam is allowed to proceed, it is our opinion that algal blooms will persist and affect the ecological health of the river. As in other areas where algal blooms are a concern, like Sturgeon Bay, we predict that the Ministry of Health would issue continuous health advisories and that no property would be permitted to be sold without prospective buyers being advised about the health advisory. In the Sturgeon Bay area, for example, since these health advisories have been in place, no properties have been able to be sold.

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<sup>2</sup> Michael Gravelle speech January 21, 2012 to NAN members

<sup>3</sup> Mr. Mark Holmes is a Xeneca Vice President

3. The impoundment would also mobilize the neurotoxin, mercury, into the river, making fish unsafe to eat. Current consumption restrictions exist for some species in the French River Delta area, and it is likely additional restrictions would necessarily be imposed because of the additional mercury loading with the flooding of the proposed impoundment area. This is a significant concern for local residents and tourists, and in particular for First Nation community members who consume large quantities of fish.
4. As the name suggests, the proposed dam site would destroy a spawning area used by sturgeon and other species; Xeneca's project description notes the presence of other protected species. Xeneca vaguely states that it will "minimize" habitat loss associated with the project "to the greatest extent possible"<sup>4</sup>, but this means nothing when the dam is designed to be constructed on the spawning grounds themselves.
5. The proposed dams would increase erosion and turbidity and lower water levels below the Project, destroying other fish spawning and nursery areas downriver based on the proposed operating strategy of holding flows for several days prior to discharge over a period of several hours.
6. The project would destroy essential habitat used by several threatened and endangered species, including Blanding's turtles, Northern Map turtle and possibly the eastern cougar.<sup>5</sup> Other affected species include the massasauga rattlesnake, snapping turtles, bald eagle, whippoorwill and osprey.
7. Reduced water levels could make the popular French River white-water impassable for navigation.
8. The access road and transmission line would facilitate poaching of elk and moose, and fish during the spawning season, and would expose this wilderness area to human activity (e.g., to vehicular noise, garbage and pollution) and degrade the environment.
9. The proposed peaking operating practice would result in weak, unstable winter ice conditions both downstream and upstream of the dam. Wildlife, such as the re-introduced elk or resident moose populations that normally cross the Wanapitei River, would be in peril of drowning due to unstable ice. Recreational snowmobilers that use the area would also be subject to the same concerns.
10. The affected area encompasses an important Aboriginal Cultural Site – CaHe-12. Per the report by William A. Allen dated December 31, 2011, artefacts were found indicating that this area was well travelled and used by First Nations both pre- and post- contact with Europeans.

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<sup>4</sup> Xeneca project description – Table 5.1: Potential effects identification matrix for construction and operation, at p.32

<sup>5</sup> Mr. Holmes told us he intends to apply for a permit under Section 17 of the Ontario *Endangered Species Act 2007* to engage in activities that would otherwise be prohibited: kill (section 9) endangered species and damage their habitat (section 10)

## **Economic Considerations and Viability of the Project**

The French River Delta has a unique and vibrant economy which contributes directly to Ontario's economy via municipal taxes, park fees, business operations, employment, and indirect revenue from tourists travelling to and from the area (conservatively estimated to be \$8 million per year). This economic activity greatly exceeds the economic benefits that Xeneca would generate, including Gross Revenue Charges payable (after the 10 year tax holiday) and provincial and federal income taxes.

The building of this hydro electric facility will jeopardize this micro economy to the detriment of local stakeholders, park users, local First Nations and the province of Ontario.

Even Mr. Gillette, the President and COO of Xeneca Power, has expressed concerns over the economic viability of such projects: "The price assumptions for waterpower under 10 megawatts appear optimistic (e.g. it is our understanding that 7% debt costs, 40 year debt terms, 11% ROE expectations and \$5,100 per kw capital cost were used). It is very unclear if small waterpower (< 5MW) can be built with the assumptions made."<sup>6</sup>

We have reviewed the Xeneca project and submitted to OP Trust (their major investor)<sup>7</sup> more realistic costs. We have attached this spreadsheet for your information. It shows that the project would produce far less economic benefit than Xeneca has claimed.

## **Application of Statement of Environmental Values**

Although renewable energy is important to Ontario's future, it is equally important for the MNR to uphold the *Environmental Bill of Rights* (EBR), to protect Ontario's natural environment, and to consider the MNR Statement of Environmental Values (SEV) in making environmentally significant decisions, such as that regarding the proposed Allen & Struthers (Wanapitei River) Hydroelectric Generating Station Project.

We are encouraged by your comments on January 21, 2012: "My Ministry also reviews renewable energy projects with partner Ministries to ensure all projects are developed in an environmentally responsible manner."<sup>8</sup> Please confirm that the MNR will actually apply the SEV to this project, to arrive at an environmentally sound decision.

The MNR SEV includes the following principle:

"Natural resources should be properly valued to provide a fair return to Ontarians and to reflect their ecological, social, and economic contributions."<sup>9</sup>

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<sup>6</sup> Gillette letter to Jason Chee-Aloy, Ontario Power Association. July 28, 2009, commenting on the draft FIT Rules. At [http://fit.powerauthority.on.ca/Storage/10379\\_OPA\\_Comment\\_final\\_draft\\_Xeneca.pdf](http://fit.powerauthority.on.ca/Storage/10379_OPA_Comment_final_draft_Xeneca.pdf)

<sup>7</sup> OPTrust, as a partner of Firelight Infrastructure Partners L.P., is a significant owner of Xeneca.

<sup>8</sup> Michael Gravelle speech January 21, 2012 to NAN members

<sup>9</sup> SEV at <http://www.ebr.gov.on.ca/ERS-WEB-External/content/sev.jsp?pageName=sevList&subPageName=10002>

Allowing the financially challenged Allen & Struthers project to proceed would, in the long term, demolish the local social, cultural, and economic fabric; this is clearly at odds with your Ministry's SEV. When your Ministry considers this and the other SEV principles in the context of these factors and the environmental harm that would result from this project, we believe that you will reach the same conclusion as we have.

### **Long Term Energy Plan**

The Long Term Energy Plan (LTEP) calls for hydroelectric generation to account for 20 to 25% of total electricity generation by 2018.

Currently, Ontario is capable of producing 8,110 MW of hydro electricity. Approved projects under development add an additional 1,223 MW for a total of 9,333 MW of power from hydro. Based on actual current peak demand, Ontario is capable of producing 31% of its needs from water power before the projects in development are online. Once these projects are online (by 2015), hydro will represent 35% of Ontario's total production from all sources. Clearly a minuscule 1.7 MW project that will cause severe damage to the environment, endangered and threatened species, and the local economy, provides **no net benefit to Ontario**.

The LTEP is based on a medium growth in electrical demand. It is more reasonable to predict a flattening or a 2 to 3% drop in demand as high costs accelerate the move of high energy use industrial companies to other provinces or other countries.

### **Regulatory Issues**

The MNR appears to be removing itself from regulatory, oversight, inspection, and enforcement responsibilities, which appear to have been given over to the proponent. This system may work if your partner has the same values and respect for MNR policy and procedures that are in place to protect Crown lands and local stakeholders. However, our experience is that the Xeneca - Firelight Infrastructure - OPTrust team do not respect MNR rules and regulations.

For example, late last fall this site was surveyed by the proponent. Trees were cut down, control points were painted and staked, even in the French River Provincial Park. This activity was done without Applicant of Record status being issued, and is against MNR Policies, for example PL 4.10.05 (Waterpower site release – Crown Land)<sup>10</sup> and PL 4.02.01 (Application Review and Land Distribution Process).<sup>11</sup> MNR staff were advised. They inspected the site, but they failed to enforce their own Policies and Procedures.

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<sup>10</sup> MNR Policy PL 4.10.05 – Waterpower site release – Crown Land. Issued April 16 2010. At <http://www.mnr.gov.on.ca/stdprodconsume/groups/lr/@mnr/@renewable/documents/document/290575.pdf>

<sup>11</sup> MNR Policy PL 4.02.01 – Application review and land disposition process. Issued July 24 2008. At <http://www.mnr.gov.on.ca/stdprodconsume/groups/lr/@mnr/@crownland/documents/document/255939.pdf>

We cannot understand this inaction on the part of your ministry, in the face of flagrant defiance by Xeneca. As the Drummond report<sup>12</sup> emphasizes, proper enforcement of environmental rules is essential to Ontario's future. Will you commit to us to enforce MNR rules against Xeneca for these breaches?

Again, we congratulate you on your January 21, 2012 speech, which signals your commitment to the MNR Statement of Environmental Values. You said: "Good land use planning leads to good development, which creates good jobs and a strong economy." We wholeheartedly agree.

The MNR's commitment to good land use planning should lead to the withdrawal of the Allen & Struthers project and a "no" decision to Xeneca for Applicant of Record status.

We would appreciate meeting with you at your convenience to discuss our concerns in greater detail.

We look forward to your response. Thank you for your consideration.

Sincerely yours

Jim Rook  
French River Delta Association

Cc: Chief Wayne McQuabbie, Henvey Inlet First Nation  
Gord Miller, Environmental Commissioner of Ontario  
Ed Tear, MNR District Manager, Sudbury  
France Gelinis, MPP Nickel Belt  
Linda Heron, Ontario Rivers Alliance  
Dianne Saxe, Saxe Law Office  
Vic Fedeli, MPP Nippissing  
William A. Allen, Heritage One  
Stephen Griggs, CEO, OPTrust  
Brad Bowman, NAR Environmental

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<sup>12</sup> Commission on the Reform of Ontario's Public Services. 2012