

*Request for Decision      United Townships of Head, Clara & Maria Council*

Type of Decision									
Meeting Date	Thursday, December 5, 2013				Report Date	Wednesday, December 4, 2013			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	X	Information Only			Type of Meeting	X	Open		Closed
Solar FIT Proposal - Report #05/12/13/401									

**Subject:**

1. Request for support for a Solar Project under the provincial FIT program within Head, Clara & Maria, in Mackey.
2. Request for support for a Solar Project under the provincial FIT program within Head, Clara & Maria, in Deux Rivieres.
3. Request for consideration of capital participation of up to 35% in one or both Solar FIT projects.
4. Request for consideration of capital participation of 10% in one or both Solar FIT projects.
5. Request for consideration of support for both projects and lease only in the Deux Rivieres project.

**RECOMMENDATION:**

That Council approve the following resolutions providing the project application with "priority points" to improve the chances of approval. It is recommended that Council seriously consider participation in a Public Private Partnership with Azgard Corporation increasing revenues into the future if at nothing else, at least the proposal dated November 20, 2013 with extremely limited financial risk to the municipality as described in options 1 and 2 in the resolution below.

Time is of the essence; a response is requested to be provided at this meeting. Deadline for application for this round of funding is to be completed by December 13, 2013.

**Resolution #1**

**WHEREAS** the Council of the United Townships of Head, Clara & Maria has considered the viability of entering into a public private partnership with Azgard Corporation for the installation and operation of ground mount solar arrays in each of Deux Rivieres and Mackey;

**AND WHEREAS** Council has reservations about the provincial governments Solar FIT program but does recognize that contracts are still to be awarded under this program and that participation in these projects would provide financial benefit for the residents of Head, Clara & Maria well into the future;

**AND WHEREAS** Council has completed its due diligence and has contacted other municipalities in Ontario where Azgard has completed solar projects and has had no red flags raised;

**THEREFORE BE IT RESOLVED THAT** the Council of the United Townships of Head, Clara & Maria does hereby authorize staff to proceed with working with Azgard Corporation in forming a new company for the sole purpose of applying for and proceeding with the Solar FIT projects, utilizing the services of the municipal lawyer as required, to proceed with participation in:

1. \_\_\_\_\_ the proposed project in Deux Rivières at 15% capital participation with ROI of \$340,000 over 20 years, plus an ongoing 15% interest in 500 kW of solar projects, without any risk or capital contribution on HCM's part;
2. \_\_\_\_\_ the proposed project in Mackey at 15% capital participation over 20 years, plus an ongoing 15% interest in 500 kW of solar projects, without any risk or capital contribution on HCM's part;
3. \_\_\_\_\_ the proposed project in Deux Rivières at \_\_\_\_% capital participation;
4. \_\_\_\_\_ the proposed project in Mackey at \_\_\_\_% capital participation;
5. \_\_\_\_\_ a lease only option for the proposed project in Deux Rivières;

**BE IT FURTHER RESOLVED THAT** Council does hereby authorize the clerk to complete the appropriate and necessary Zoning Certificates as required under the FIT guidelines.

## **Resolution #2**

**WHEREAS** capitalized terms not defined herein have the meanings ascribed to them in the FIT Rules, Version 3.0.

**AND WHEREAS** Azgard Corporation (the "Applicant") proposes to construct and operate a Solar Project up to 500kW (the "Project") on LT 9 CON A HEAD; HEAD CLARA MARIA (PIN 57040-0006) (the "Lands") in the United Townships of Head, Clara & Maria under the Province's FIT Program;

**AND WHEREAS** the Applicant has requested that Council of the United Townships of Head, Clara & Maria indicate by resolution Council's support for the construction and operation of the Project on the Property;

**AND WHEREAS**, pursuant to the FIT Rules, Version 3.0, Applications whose Projects receive the formal support of Local Municipalities will be awarded Priority Points, which may result in the Applicant being offered a FIT Contract prior to other Persons applying for FIT Contracts;

**THEREFORE BE IT RESOLVED THAT** the Council of the United Townships of Head, Clara & Maria supports the construction and operation of the Project on the Lands.

This resolution's sole purpose is to enable the Applicant to receive Priority Points under the FIT Program and may not be used for the purpose of any other form of municipal approval in relation to the Application or Project or any other purpose.

FIT reference number: \_\_\_\_\_  
(The reference number must be inserted by the Applicant in order for the resolution to comply with the FIT rules, even where Local Municipal letterhead is used. This is not to be inserted by the Local Municipality.)

## **Resolution #3**

**WHEREAS** capitalized terms not defined herein have the meanings ascribed to them in the FIT Rules, Version 3.0.

**AND WHEREAS** Azgard Corporation (the "Applicant") proposes to construct and operate a

Solar Project up to 500kW (the "Project") on CON B PT LOTS 12 13 CLARA; HEAD CLARA MARIA (roll number 4798 00025 05000) (the "Lands") in the United Townships of Head, Clara & Maria under the Province's FIT Program;

**AND WHEREAS** the Applicant has requested that Council of the United Townships of Head, Clara & Maria indicate by resolution Council's support for the construction and operation of the Project on the Property;

**AND WHEREAS**, pursuant to the FIT Rules, Version 3.0, Applications whose Projects receive the formal support of Local Municipalities will be awarded Priority Points, which may result in the Applicant being offered a FIT Contract prior to other Persons applying for FIT Contracts;

**THEREFORE BE IT RESOLVED THAT** the Council of the United Townships of Head, Clara & Maria supports the construction and operation of the Project on the Lands.

This resolution's sole purpose is to enable the Applicant to receive Priority Points under the FIT Program and may not be used for the purpose of any other form of municipal approval in relation to the Application or Project or any other purpose.

FIT reference number: \_\_\_\_\_  
(The reference number must be inserted by the Applicant in order for the resolution to comply with the FIT rules, even where Local Municipal letterhead is used. This is not to be inserted by the Local Municipality.)

## **BACKGROUND/EXECUTIVE SUMMARY:**

### **General**

Based on the information garnered from various sources, contracts will be awarded for projects in Ontario based on the current agreements approved by the provincial government. It seems that whether or not the projects are located in HCM or elsewhere they will continue to be awarded under the current program.

As we have heard about the provincial government's cancelling existing gas plant projects/contracts, the costs of stopping a program are often significantly higher than simply honouring them. No there is not a guarantee that the new government will do anything however; simply cancelling existing contracts is not a simple thing to do. There are contingencies and backups built in.

As for being able to connect to the grid after the project has been built... that is what the approvals are for. The province approves the project and the connection prior to shovel meeting ground. Funds do not have to be expended or committed by the municipality until the contracts have been approved.

In order to have the "priority points" and to proceed with the desired projects, Azgard is willing to proceed without Council capital as explained in the attached letter dated November 20, 2013. The alternate proposal is a capital contribution of up to 35% for each or any of the proposed projects. This is detailed in the letter dated November 12, 2013. The proposal at 35% would garner a 10.8% Return on Investment.

Even if the County of Peterborough's resolution receives extensive support from the province it is highly unlikely that any changes will be made in the short term; contracts will continue to be awarded.

Resolution #1 is Council's commitment to a public/private partnership with Azgard Corporation in its various forms. Council is to select which option it would like to pursue. Should Council agree to support Azgard's solar projects even without capital participation, Azgard would like to have Council's support as was indicated in their initial contact with the municipality.

Resolutions #2 and #3 provide priority points for those applications, indicating Council's support for the projects but not necessarily participation.

From a taxation and financial perspective the lands would continue to be classed as rural and residential however with a solar array producing up to 500kilowatts the assessed value of the property(s) would increase.

Tax revenues from the Mackey location would continue and at an increased rate.

Tax revenues from the Deux Rivières location would not change as the municipality is the property owner and we do not pay taxes; however annual lease payments of \$4,000 per year could be obtained.

## References

The following are responses received from various municipalities contacted as references prior to being provided with contacts by Mr. Johannesson.

"Good afternoon. We have been working with Azgard on two projects located within our Township – 1 MG solar project tentatively to be constructed next summer and another smaller solar project in the same area. We are not in partnership with either project. I can say that they have been open with their plans and have met with council on a couple of occasions and have held two open houses for the projects in Red Rock. They have kept Council updated on the status of their plans and passed on much relevant information as required. They seem good to work with. Sorry, can't supply any more info than that. Kal Pristanski, CAO, Township of Red Rock."

"Hi Melinda, I have been asked to respond to your request regarding Azgard Solar on behalf of the Town of Fort Frances. We have some solar installations within the municipal boundaries and 4 installations owned by the Municipality, however none of these installations are ground mounted or installed by Azgard Solar. At this time, therefore I am not sure if I can be any help. If you have any questions on the performance of maintenance of solar installations, I was in charge of the installation of our solar sites and I can do my best to help with any questions, and please feel free to contact me at your convenience.

Best Regards,

Travis

---

Travis Rob, EIT  
Chief Building Official  
Town of Fort Frances"

"Hello Council passed a resolution on November 5/13 supporting a proposed 250kW solar power project in the Township as requested by Azgard Corp. To my knowledge Azgard has not yet started the project and we have not had any further contact with them. *Helena Tammänen, AMCT*

## **References as Provided by Mr. Johannesson**

With regard to references, we can provide the following individuals who have agreed to provide a reference for our company:

Kal Pristanski  
Chief Administrative Officer  
Township of Red Rock  
Phone: (807) 886-2245  
Email: [cao@shawbiz.ca](mailto:cao@shawbiz.ca)

Harold Fast  
Assistant Vice President, Business Development  
Business Development Bank  
Phone: (403) 606-2528  
Email: [harold.fast@bdc.ca](mailto:harold.fast@bdc.ca)

Martin Pochtaruk  
President  
Heliene Inc.  
Phone: (705) 575-6556  
Email: [mpochtaruk@heliene.ca](mailto:mpochtaruk@heliene.ca)

Please advise if you need anything further.”

Harold Fast with BDC has mentioned that he is away until next week, so if you would like to contact someone with BDC this week, please contact Harold's colleague, Rosemarie Baker. Rosemarie has dealt with Azgard for approximately 8 years, and is very familiar with our company. Her contact information is:

Rosemarie Baker  
Manager, Business Centre  
Business Development Bank of Canada  
Phone: [\(403\) 292-6975](tel:(403)292-6975)  
Cell: [\(403\) 815-9169](tel:(403)815-9169)  
Email: [rosemarie.baker@bdc.ca](mailto:rosemarie.baker@bdc.ca)

## **Required by Council – December 5, 2013**

From Neale's email dated November 20, 2013, the following is required by the Municipality. By adopting the resolutions included in this report, Council is authorizing staff to proceed with creation of the new company (with assistance from the municipal solicitor). The resolutions required for the “priority points” are included as well.

1. "The documentation and actions required by Council and administration would be as follows:
  - o Since a new company (let's call it "AHCM Solar Inc.") would be formed specifically for the projects located in HCM, there may be some documentation to complete but it should be minimal. HCM would hold up to 35% of the common shares of the company, and Azgard Corporation would hold the balance, with a full shareholders agreement to be drafted upon receipt of an OPA contract. **If an OPA contract is not awarded, or if the terms of the shareholders agreement cannot be agreed upon, AHCM Solar Inc. would be wound up.**
  - o A simple lease agreement between HCM and AHCM Solar would be required where HCM would agree to lease the property to AHCM Solar for \$2,000 per year per project subject to the award of an OPA contract. This can be a one page agreement for the purpose of the OPA application (see attached), with a full lease agreement to be drafted upon receipt of an OPA contract. **If an OPA contract is not awarded, or if the terms of the lease agreement cannot be agreed upon, the lease agreement would be null and void.**
  - o A Zoning Certificate would be required for the HCM property similar to the certificate that was provided for the Mackey property.
  - o A Municipal Council Support Resolution would be required similar to the resolution for the Mackey property. "

### Options/Discussion:

Various and numerous including not considering participation at all up to full participation in all projects at 35% capital investment.

### Financial Considerations/Budget Impact:

1. There is a potential for increased tax revenue with the installation of the solar arrays.
2. Potential for annual revenues from a lease agreement of \$4,000 per year - \$2,000 per project per year. Over 20 years - \$80,000 revenue.
3. Potential for annual revenues from capital participation in the project(s) as detailed in Mr. Johannesson's letter dated November 20, 2013 attached with no financial risk to HCM.
4. Potential for increased annual revenues from capital participation in the project(s) as detailed in Mr. Johannesson's letter dated
5. From Neale's email of November 20, 2013..."**Azgard is willing to pay all out-of-pocket costs for the OPA application, including the cost of forming a company for the HCM projects, the cost of preparing the application, and the application fees. Assuming that we receive an OPA contract for one or more projects, these costs will become part of the project costs. If we do not receive an OPA contract, Azgard will not seek any reimbursement from HCM.**"

### Policy Impact:

Creates new policy.

### **Others Consulted:**

Ontario Power Authority website at <http://www.powerauthority.on.ca/>  
Alissa Verch/Marcel Clement, MPAC  
Neale Johannesson, Azgard Corporation  
Travis Rob, EIT, Chief Building Official, Town of Fort Frances  
Helena Tamminen, AMCT, Clerk-Treasurer, Township of Dorion, Ontario  
Kal Pristanski, CAO, Township of Red Rock

Approved and Recommended by the Clerk

Melinda Reith,  
Municipal Clerk

### **Attachments:**

1. Email from Neale Johannesson dated November 20, 2013 in response to questions.
2. Azgard History emailed December 4, 2013.
3. Letter to Council dated November 20, 2013.
4. Letter to Council dated November 12, 2013.
5. Draft Lease Agreement.