

## **FINAL TRANSCRIPT**

**Alterra Power Corp.**

**Third Quarter Results Conference Call**

**Event Date/Time: November 10, 2017 — 11:30 a.m. E.T.**

**Length: 37 minutes**

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November 10, 2017 — 11:30 a.m. E.T.  
Alterra Power Corp. Third Quarter Results Conference Call

## CORPORATE PARTICIPANTS

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*Alterra Power Corp. — Executive Chairman*

**John Carson**

*Alterra Power Corp. — Chief Executive Officer*

**Lynda Freeman**

*Alterra Power Corp. — Chief Financial Officer*

**Jay Sutton**

*Alterra Power Corp. — Vice President Operations and Construction*

**Jonathan Schintler**

*Alterra Power Corp. — Vice President, Project Finance*

**Paul Rapp**

*Alterra Power Corp. — Vice President, Development*

## CONFERENCE CALL PARTICIPANTS

**Nelson Ng**

*RBC Capital Markets — Analyst*

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## PRESENTATION

### Operator

Good afternoon, ladies and gentlemen, and welcome to the Alterra Power Corp. Third Quarter Results Conference Call.

At this time, all lines are in a listen-only mode.

Following the presentation, we will conduct a question-and-answer session.

If at any time during this call, you require immediate assistance, please press \*, 0 for the Operator.

This call is being recorded on Friday, November 10, 2017.

And I would now like to turn the conference over to Ross Beaty. Please go ahead.

### Ross Beaty — Executive Chairman, Alterra Power Corp.

Thank you very much, Operator, and good morning, ladies and gentlemen, and thank you for joining us today, and welcome to the Alterra third quarter 2017 operating and financial results conference call.

I would point out first, we have many forward-looking statements today, and I would draw your attention to our disclosure in our materials on this, and certainly reaffirm that we seek safe harbor to our comments today.

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Well, the third quarter of 2017 was another quarter of great progress and great, great developments. We had some quite remarkable financial results today. Great progress in our projects, solid operation results that the team is going to be talking about today.

But quite frankly, all of this was overshadowed by the news we announced last week of the acquisition of Alterra by Innergex. That is in progress. We have almost finished the information circular. It should be mailed out to shareholders shortly for a vote on December the 14th. And so far, so good on the progress of the materials for shareholders.

So it's entirely possible, to the extent that the transaction is concluded—is voted in favour of and concluded, in the first quarter—earlier in the first quarter of 2018, that this will be our last conference call. After 8.5 years of doing this, it's going to be something possibly of the past.

So with that poignant comment, I will turn the call over to John Carson, Alterra's Chief Executive Officer, to carry the call from here. Thank you.

**John Carson** — Chief Executive Officer, Alterra Power Corp.

Thank you, Ross. I echo your comments about the quarter. And just to let everyone know, the team members we have present on the call today: CFO, Lynda Freeman; VP Operations and Construction, Jay Sutton; VP Development, Paul Rapp; VP Engineering, Murray Kroeker; VP Project Finance, John Schintler; General Counsel, Shannon Webber; and Director of Accounting, Ben Came.

So with that, I'd like to turn it over to Lynda and discuss the quarter.

**Lynda Freeman** — Chief Financial Officer, Alterra Power Corp.

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Thanks, John, and good morning to everyone. We released our third quarter results yesterday and possibly, as Ross indicated, for the last time, the stand-alone results of Alterra Power Corp. I always start my presentation with commenting on how busy we were in the quarter, and the third quarter of 2017 was probably our busiest quarter for financial reporting purposes since the Company began. A summary of the one-off transactions that we recorded in the quarter are shown on Slide 5.

Starting with the closing of project financing Flat Top and the sell-down of a 49 percent interest to our new partners at BlackRock. For accounting purposes, we deconsolidated the assets and liabilities of Flat Top and recorded the fair value of our interest as an equity investment. As a result of this transaction, we recorded a gain through the income statement of over \$22 million.

Moving on to the closing of project finance at Spartan in the quarter, which required us to report our interest in the project as held for sale at September 30th. This was due to the expected funding by tax equity partners in the fourth quarter, which would result in joint control of the asset. Tax equity actually made their first accounting—first equity contribution on November 6th, and we expect that at December 31st, our interest in Spartan will be recorded as an equity investment.

Finally, in North America, we expanded our AMP loan facility by 21.1 million, concurrent with the closing of Flat Top financing, which also allowed us the opportunity to lower the coupon across the original facility, down from CDOR plus 6.5 percent, to CDOR plus 5.75 percent.

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Moving on to Iceland, and in July, we settled a 71 million bond with 12.7 percent of HS Orka. As Alterra continues to control and consolidate HS Orka, this transaction was largely recorded as an entry through equity, with a \$24 million gain going straight to retained earnings. However, we did recognize a gain of \$8 million through the income statement, relating to unpaid interest and the change in the fair value of the bond on settlement.

Finally, in September, we announced the closing of an HS Orka financing of \$119 million. And although no material impact on our financial statements at Q3, the closing of the HS Orka financing was a great result for the Company as it allowed us to repay the European lenders, which had heavy—had associated heavy amortization commitments.

The new facility has a five-year term. The amortization is over 18 years, which is expected to free up operating cash flows, to either fund further growth or for an operating dividend to HS Orka shareholders, of which Alterra is 53.9 percent owner. The facility has options to extend out to 18 years, and further draws on the loan expected over the coming months related to the construction of Brúarvirkjun and field development activities at our existing facilities. So it was just another standard quarter at Alterra.

Moving on to Slide 6 and our operating results for the quarter. We're seeing the benefit of increased aluminium prices, which directly impacted revenue numbers at HS Orka. And this, together with increased retail sales and favourable foreign exchange movements, resulted in an increase in revenue of 19 percent to \$17 million.

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Cost of sales also increased against the comparative quarter, due to higher one-off maintenance costs, together with increased power purchases necessary to support the lower generation. I'm pleased to report that generation at HS Orka is now at its highest level since the second quarter of 2016, with us generating 76 megawatts. So we expect to see the benefits of this increased generation in the fourth quarter.

The primary movement in other income and expenses relates the one-off gains mentioned earlier regarding the partial sale of Flat Top and the settlement of the Magma Sweden bond, together with a positive movement in the embedded derivatives, due to the increased forecast aluminium prices.

Turning to Slide 7 and 8. Management continued to monitor our operating projects on a net interest basis. I should highlight that HS Orka's net interest for the current quarter reflects approximately one month at 66.6 percent and two months of 53.9 percent.

Net interest in revenue and adjusted EBITDA was up from the comparative quarter, despite this reduction in ownership of HS Orka, due to the impact of increased generation at Toba Montrose, along with the full three months' results of Jimmie Creek and Kokomo during the quarter. Generation was down quarter on quarter, primarily due to low winds at Shannon and the reduced ownership of HS Orka.

Turning to Slide 9 and the balance sheet highlights. Total assets were 792 million, up 17 percent since December, predominantly due to strengthening of the Canadian dollar and Icelandic

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krona since year-end, together with recognition of the equity interest of Flat Top and other movements in equity investments. Total liabilities were down 9 percent, despite the strengthening Canadian dollar and Icelandic krona, mainly due to settlement of the \$71 million bond and removal of liabilities associated with Flat Top.

Working capital continues to be negative at 51 million, mostly due to the short-term credit facility at HS Orka of 9.8 million, which was largely settled subsequent to the quarter, and the classification of the Reykjavik energy bond as current, for the bond that's due in April 2017. As part of the planned transaction with Innergex, this bond is expected to be settled. However, management are confident that should the transaction with Innergex be delayed or not closed, the bond will be refinanced by April 2018.

The last slide I'm going to talk to you is the net interest and debt slide. It's a little different from previous periods due to the transactions completed in the quarter with Flat Top, Spartan, the increased North America holdco facility, and the reduced debt of Magma Sweden. As a reminder, all amounts due are nonrecourse to Alterra, with the exception of the revolving credit facility. The Company made all interest and principal payments when due, and were in compliance with all debt covenants.

I'd also like to remind listeners that Appendix 1 shows the project debt service commitment, and I'd like to highlight HS Orka, which has a significantly different debt profile from the previous presentation, due to the refinancing of their European debt in the quarter.

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That ends my presentation, and I hand you back to John.

**John Carson**

Thanks, Lynda. That's three financings closed, related to projects. That's a substantial reduction in our negative working capital—quite a quarter—and also improved generation. We went from 91.9 percent of plan to 95.5 percent of plan. Jay, can you give us the details around operations?

**Jay Sutton** — Vice President Operations and Construction, Alterra Power Corp.

Thanks, John. So referring to Slide 11. Toba Montrose's third quarter generation was 382 gigawatt hours, which is 100 percent of plan. Third quarter saw near-average temperatures and average snow pack, and as a result, our generation has been right on target. Year to date, we are at 98 percent of plan and have nearly made up for the lower generation we saw in the first quarter of the year.

The plants ran through December with no outages, and we achieved 100 percent availability in Q3, with a year-to-date availability of 99.8 percent. So the plants are running very well with no operating issues. As the cooler fall weather approaches, our flows are reducing, and we are now starting our annual maintenance cycle on the equipment.

The picture on the slide shows the expansion of our crew quarters at the East Toba plant, which was complete in September and is now in operation. The expanded lodge allows us to accommodate our maintenance crews at the plants rather than renting accommodation at the mouth of the inlet, which saves the crew significant travel time and will save us significant third-party costs.

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Referring now to Slide 12. Jimmie Creek generated 111.7 gigawatt hours or 110 percent of plan in the third quarter of 2017, completing its first full year of operation. Jimmie continues to exceed our generation forecast since we started the plant late last August, with year-to-date generation at 114 percent of plan, including October, which was at 123 percent of plan. Now we reached our full annual generation forecast in late September.

The plant has been running flawlessly through the high-flow season with 100 percent availability and 99.9 percent availability year to date. Later this month, we will start our annual maintenance on Jimmie Creek, including some of the end-of-warranty inspections for some of the components, such as our penstock.

Now moving on to our wind assets on Slide 13. The Shannon wind project in Texas has operated well over the third quarter of 2017, with generation at 72 percent of plan, but continues to suffer from low regional wind that started in Q2 and extended through Q3. Things have turned around in the fourth quarter, with 107 percent of forecast for October and 102 percent of forecast, month to date, for November.

Year to date, we're at 90 percent of plan generation with availability of 97.9 percent, so we're making good use of the resource that is available. Shannon is also nearing the end of its warranty, and detailed end-of-warranty inspections are currently underway on site, and we expect to complete them by the end of November.

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On to Slide 14, our Dokie wind farm at Chetwynd. Dokie generated 78.7 gigawatt hours of energy in the third quarter, equivalent to 109 percent of plan. Generation over the past three months has been above average, with October at 112 percent, and we are making up for low generation in the first quarter, and currently at 95 percent of generation year to date. The Vestas crews on site continue to maintain the turbines well, with high availability, which was above 97 percent for the third quarter. The photo on the right of the slide is a great shot of one of the Vestas technicians upgrading the navigation lights to LEDs.

Next, we travel north to Iceland on Slide 15. Combined generation from the Svartsengi and Reykjanes plants was 96 percent for the third quarter of 2017, and is at 98 percent of plan, year to date. We had two outages at the plant in the third quarter, a small 6-megawatt unit at Svartsengi and the larger 50-megawatt unit at Reykjanes, both going offline. The Reykjanes unit was back online within two weeks, and the Svartsengi unit will be back on next week. Both units went offline for road repairs, affecting our quarterly generation and reducing our usually very high availability at the plants down to 94.4 percent.

The Reykjanes output continues to improve, with average output above 76 megawatts, the highest since the second quarter of 2016. We are also continuing to—we are continuing to connect recently drilled holes with Svartsengi 26 and Reykjanes 29 connections to the plant underway. And in the third quarter, we completed drilling well 35 in the Reykjanes field, which is expected to be online mid-2018. Each of these wells is expected to add up to 3 megawatts of generation to the plants. We

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continue to perform testing on the deep well at Reykjanes, and this testing will continue well into 2018.

Finally, on to our Kokomo solar project on Slide 16. So as you remember, Kokomo came online at the very end of 2016, has achieved 90 percent of plan for the third quarter, and is at 88 percent of plan year to date. Our partner, Inovateus, and construction contractor, Heartland, are continuing to perform operations and maintenance on the plant, with Alterra operations personnel providing oversight. And year to date, our availability is 94.5 percent. The photo is a great aerial shot of this project when it was completed. That was taken in May.

That wraps up our operating plants, so now I'll move on to the construction slides. Referring to Slide 17, our 200-megawatt Flat Top project in Texas. Our civil contractor there, Blattner, has been on site since July and has nearly completed the civil work. All of the roads were finished in September, and the final turbine foundation was completed last week. All the transmission line structures have been installed, and about 75 percent of the conductors have been strung, with the remainder to be completed by the end of November. The collection lines that connect the turbines to the switchyard are currently being installed and are about 50 percent complete now.

O&M building is also complete, and the switchyard and transformer isolation is complete, with final testing scheduled for the end of November. The photo on the right shows the delivery of the transformers to the switchyard in October. Vestas is supplying our turbines for the project and

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will have delivered 50 of the 100 turbines to the site by the end of the week, with the remainder to be delivered by mid-December.

We reached 300 personnel on site in the third quarter and expect this to ramp down slightly now, as the civil work is complete and focus shifts to turbine erection. We are very happy with the progress on site so far. The work is being performed safely and with the highest standard of quality. It will be nice to turn Flat Top into one of our operating assets early in 2018.

Now on to Slide 18. You can see a great photo of the Spartan solar project lit up at night at the Michigan State University campus. All the materials have now been delivered to the site, and the crews are expecting to install the final components by the end of November.

The project covers five main parking lots, and we just completed energization of the first and largest lot, lot 89, this week. And the next two lots are scheduled to be energized by the end of November. Overall, construction is 90 percent complete, and we are working closely with our contractors and Michigan State University to have the project complete by middle of December.

Finally, on to Slide 19. Brúarvirkjun project is a 9.9-megawatt run-of-river hydro project located in South Iceland that we started construction on in the third quarter. Work on the site access roads was completed, including the access road to the intake that's shown on the picture on the right of the slide.

We have received all of the tenders for the main contracts. I'm happy to say that, overall, it looks like we'll come under our budgeted forecast amounts. Over the next couple months, we'll be

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working with bidders to finalize and execute the agreement, so that we can start the heavy civil work in early 2018, in order to meet our target completion date of mid-2019.

That's all I have for operations and construction, John. Over to you and Paul for development work.

### **John Carson**

Great. Thanks, Jay. We're actually going to look at our recent accomplishments this quarter, just what we did in this quarter, and plus looking ahead to what we're doing, development, and growing the business.

First thing I wanted to point out—and I'm on Slide 20 now—on our Q3 accomplishments, just what we did in the last three months. First, we did settle that \$71 million holding company bond that we had in Iceland. We're very happy with that transaction. We think all parties ended up in a happy position. And certainly, it increased our balance sheet positioning well. Very pleased with that.

Secondly, you've heard a lot about Flat Top now, the closing of the financing, same partners we had on Shannon. Great to have a working set of partners and a working set of papers, that we can go from project to project as we grow. And we hope to be using those same partners and same papers very soon on another project.

At the Flat Top construction, Jay didn't mention, we have 300 people on site. It's about one-third of \$1 billion project, very large operation. Jay and his team have been doing a fantastic job of supervising the construction there, and it is going very well. At Spartan, one thing I'll add around the

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Spartan construction is that we're just to about start selling power. In fact, we may start today. Is that right, Jay?

**Jay Sutton**

That's right, John.

**John Carson**

So very happy that we are now in a position to actually start getting revenue from that project, as we complete the full build on it. Jon Schintler, who's with me, ran the project financing for the Spartan project. And Jon, this is just an 11-megawatt project. Can you just take a moment and tell us how this financing went?

**Jonathan Schintler** — Vice President, Project Finance, Alterra Power Corp.

Yeah, sure. We closed the financing in the quarter with 1st Source Bank. Again, this is the same party that we used on Kokomo. And similar to our Flat Top project, we used the same set of documents and same partners here. So I think the financing went pretty smoothly. And as you said, we're happy to be generating as of today.

**John Carson**

All right. Thank you for that, Jon. Next, we introduced a new partner into the Alterra system, BlackRock. We didn't make mention of this because it was subsequent to the second quarter. But just to remind you, very happy to have with them aboard. Looking forward to doing future deals with them, even though we'll be doing that likely from the Innergex seat.

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Next, we acquired a small project in California called Jawbone, a small but very potent project, we feel. And we feel it will do very well in power marketing in a region where new greenfield opportunities are very hard to come by. So we look forward to finishing up the Jawbone development work over the next couple of years. Paul, anything to add around the Jawbone project, where you've had some heavy involvement?

**Paul Rapp** — Vice President, Development, Alterra Power Corp.

No. Only that it is in an area that has an existing large number of wind turbines, so the resource is quite well proven. And we just completed putting up three meteorological masts (phon) at site to confirm the wind resource on site.

**John Carson**

Perfect. Thank you. Lynda had already mentioned that \$119 million financing in Iceland— really puts us into a superior position there to carry out our work at Reykjanes, and to build the Brúarvirkjun project, which as Jay described, is already underway. So we're extremely happy to have the financing well tucked-in and started there in Iceland. Jay mentioned Brúarvirkjun.

Next, we have a 250-megawatt project that we have greenfielded in Colorado. Paul, anything to mention about that project and where we are with that unnamed project?

**Paul Rapp**

Sure. As John said, it's a greenfield project, early stages. We're securing land positions and collecting wind data. And we think it's in an up-and-coming area in terms of opportunity for wind. The

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local utility, Xcel, is planning a series of RFPs for renewable energy starting as soon as the end of this month. And it will be quite an opportunity over the next couple of years for that project.

### **John Carson**

All right. Thanks, Paul. Next, as Lynda mentioned, we've achieved our highest generation in some time at the Reykjanes plant. Very happy about this. We internally were preparing our budget. We haven't finalized it, but believe we're going to have some nice, healthy targets there.

Next year will mark 40 years that we have been harnessing geothermal power for electricity at that site. And in those 40 years, I can comfortably say that we are still learning about the field. A couple of new techniques that we had deployed that we mentioned in our financials, such as wellhead cleaning and fluid-level adjustment, have really resulted in some very strong resurgent generation, and we see that continuing through 2018.

And lastly, we mentioned this last quarter, it was a subsequent event at the Blue Lagoon, where we received some very high-value offers. We've already made public that from the Innergex seat, this asset will continue to be under consideration as to where it goes, and so we'll leave that for the future for now.

Subsequent to the quarter, we did the Innergex transaction, which Ross mentioned. I'll tackle that just briefly on the next slide. But first, I'd like to look at, apart from that transaction, what we're doing for the rest of 2017 here.

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First, continued power marketing for new projects. We've had some good successes here. We feel that we're close on a couple of our projects. So look for watching this space to see where we can go. It's a very active and very important part of our business, as we have many, many projects, both greenfielded and acquired projects, which we're attempting to contract now.

Permitting is going on at Boswell Springs and other advances, advances around transmission, et cetera. Paul, anything to share around Boswell Springs today?

**Paul Rapp**

No. I think you hit the highlights. The big focus on Boswell itself has been the permitting efforts. And Jon and I are travelling to Wyoming next week in support of the permitting efforts for the final hearing, where we expect to get one of the key permits for the project going forward.

**John Carson**

Okay. Next, those of you who attended our merger news conference noticed that we introduced a new project in the Alterra system. It's called Foard City. It's in Foard County, Texas, just a couple of counties to the west of our Shannon project. This project development is going extremely well. And I'd ask Jon and Paul, anything to add on the development status of Foard City?

**Paul Rapp**

Sure. So Foard is a greenfield opportunity that we've been involved in from the initial meetings with landowners in securing land control, which we have, fully, for the project now. It enjoys very strong local support from landowners and all levels of government. So that's always nice to have.

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Our team here has been working hard on interconnection, project layout, working with the county and school officials on tax abatement agreements. And we're in the process of starting early procurement activities to firm up wind turbine pricing and balance of plant construction costs.

We're seeing very competitive improvements in wind turbine pricing, both through continued performance improvement and the kinds of turbines that we expect to be available when the project goes into construction in a year or two. And we're also seeing downward pressure on wind turbine pricing driven by a very competitive market right now.

#### **John Carson**

All right. Thank you, Paul. Full steam ahead at Foard City. Next, we have several more improvements at Reykjanes that, well, we believe take us well into the 80-megawatt-plus range at Reykjanes. You may have seen in our financials that we've already drilled well 35, and we're currently testing that well. We're just starting on well 36. Well 36 is located in a separately partitioned area of the field.

We're very excited about the possibilities of that well. We've proved it with an exploratory well some years ago. There's also a well called well 29, which we drilled back in 2012. That well has actually surprised us and has now become a good producer candidate. We plan to tie it into the system at about a 3-megawatt clip in the next several months.

Finally, we plan to complete the Spartan construction in 2017. You probably saw on the cover of this presentation, a worker installing solar panels to the parking lot fixtures. I think that is

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going very well. And then Brúarvirkjun and Flat Top are advancing through the end of the year. As Jay mentioned, in the first quarter, we expect Flat Top to start generating. Brúarvirkjun will likely be 2019 on commercial operations.

One item that didn't make this chart, and I'm glad that it didn't, is legislation, which has been rumoured to come around in this industry recently. So many of you who follow the industry will have noticed that the House Ways and Means Committee in the United States recently introduced legislation within committee, and the draft legislation would have affected our production tax credits and other features of US tax incentives for renewable power projects that we have.

We were concerned about this, as were many, many people in the industry, because this basically, had it happened, would have constituted a reversal of US policy that many, many people have made investments around, and invested their company time around, including Alterra Power Corp.

However, thankfully, when a couple of people raised their voices in the Senate side this week, Senators Grassley and Thune, and said that, folks, no worries on the PTCs, the production tax credits. We're going to keep our promises. We're going to keep the system in place. I think the whole industry heaved a sigh of relief.

Doesn't mean that we're completely out of the woods yet, and there are several other aspects of the tax bill that could be challenging, but the main underpinning by which we build new

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projects in the USA, we believe, is going to remain in place. And I think there's a strong industry consensus that has rapidly formed on that within the last week.

With that, I'll flip to our last slide before I turn it back to our Chairman. And I'll just speak to this very briefly because we've already covered this in a press conference, and we've covered it in a press release and a material change report that we filed just yesterday.

So as Ross mentioned, we are being acquired by Innergex Renewable Energy Inc., and I won't read these statements, which are coming from our previous materials, but only to say that the attitude and the occurrences around the newly formed combined Co, that we expect to close in the first quarter, is going very well.

I was in Montreal last week, having meetings with the CEO, Michel Letellier, and the CFO and the Chief Investment Officer. We talked about new projects. We talked about new directions, where we're going. It was a very good discussion. I think it was enjoyed all the way around, and it gave me, as the leader of Alterra's efforts in growing rapidly in the United States, good comfort that our growth will continue.

Innergex shares our vision. So this is the uniting of two green power companies that really want to aggressively displace carbon generation while making a profit for our shareholders. So all systems are go with this combination. I'm excited about it.

With that, Ross, I'd like to turn it back to you.

## Ross Beaty

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Thank you very much, John. That's a good fulsome accounting of our major highlights for the quarter and some commentary on the Innergex transaction.

Operator, I have no further comments. I'd like to thank everyone else for coming, and please open the call to questions.

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## Q&A

### Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press \*, followed by 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request, and your questions are polled in the order received. If you're using a speakerphone, please lift the handset before pressing any keys.

And your first question is from Nelson Ng from RBC. Nelson, please go ahead.

### Nelson Ng — RBC Capital Markets

Great. Thanks. A quick question on the US tax reform. I know nothing's ever a sure thing. But could you just quickly run through how the various wind developments that you currently have are PTC-qualified? Whether it's like the 5 percent deposit? Or whether it's the start of construction in 2016?

### John Carson

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Yeah. I'll start that one, Nelson. We haven't disclosed all of our projects and basically rostered them as to just how we've qualified them. We've done a few. And I'm going to let Paul or Jon cite through the projects that we've publicized and how we've qualified those projects. But let me just state that there are several projects that we haven't yet publicized that are qualified. Paul, over to you.

**Paul Rapp**

Sure. So we qualified our projects all through the start of construction, and we did it with both on-site construction and off-site construction. The on-site construction, we used at the Flat Top project and at another project in Texas. And then we used off-site construction through the procurement and building of main power transformers for the remainder of the projects. We did that as well for Flat Top. So Flat Top had both of them going. And that's what we used for Boswell Springs. It was qualified through start of construction of main power transformers, which are still under construction as we speak.

**John Carson**

Thanks, Paul. One thing to note is that we have some projects that we've been growing which aren't qualified. We didn't start any construction for some of our projects. However, you may know, as you follow the industry—and I know you do, Nelson, well—that there are many participants in the industry who stockpiled Safe Harbor-qualifying turbines toward the end of 2016. The intent

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was to sprinkle those into new projects, to this point where the Safe Harbor threshold of 5 percent of project costs could be met.

So not only did we qualify a group of our own projects, we know that other projects, such as the California—or excuse me, the Colorado greenfield project, which I mentioned, could be qualified with Alterra/Innergex partnering with a turbine-holding partner.

The reason we didn't do that, follow that route, is we felt many others did. The turbines were not cheap. We thought our method was, A, proven by several transactions that have closed around the start of construction thesis, including our own; and then B, just the fact that we saved a lot of money by that strategy. Jon, anything to add?

#### **Jonathan Schintler**

Yeah. I think just with regard to the new potential tax legislation, it's really important to remember that there's multiple proposals right now. They're all very early stages and most likely will change significantly, both with content and with time line, before we're done. So as far as our PTC qualification, Paul and John talked about it.

As far as new proposals and new legislation, I think a whole lot is to be determined. And we're doing sort of continual analysis on it to see how it's going to affect our industry. And unfortunately, it will probably continue to do that for quite some time until we see resolution on this.

#### **John Carson**

All right.

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**Nelson Ng**

Sure. And also to clarify for Foard City. Is that one of the ones that are not qualified, but you're hoping to get someone's turbines?

**John Carson**

No. That's a thoroughly qualified project, but via multiple methods. So no, we did no fooling around with Foard City.

**Nelson Ng**

Got it. Okay. And then just from a contracting perspective. For Colorado and for Jawbone, like what's the—I guess what's the plan to eventually get a contract? Is it kind of market-based discussions with like corporations? Or are the local utilities looking for contracts or looking for assets?

**John Carson**

Yeah. Nelson, thanks for that. And the easiest answer is, all of the above and any of the above. We'll take a good contract anywhere we can find it. But to really answer your question with a bit of detail is two separate answers for the two projects you mentioned.

For the Colorado project, it is an early-stage project. There's no doubt about it. However, we feel it will be in line to complete development in time to service this upcoming Xcel RFP, and that's why we're participating there. We have no other power marketing activities occurring in that area for that project at this time.

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Completely different story for Jawbone. There, we've talked to municipalities, utilities, corporate and industrial or C&I, potential offtakes, and we have a lot more conversations to go. We've not yet, obviously, found a party to contract with, but we certainly have leads, but I feel that there are also many, many other entities that we've not yet reached out to on that project. So a lot of progress to be made there.

Lastly, you may be familiar with the California entities called community choice aggregators, which are quasi-utilities. These entities, which are less creditworthy by far than utilities, are nonetheless attracting attention. And contracts are being executed with them, and projects are being financed through these projects, primarily solar. It is not impossible that we would go to or contract with a community choice aggregator. I hope I've made it clear that we feel, for that project, there are many, many new options.

### **Nelson Ng**

I see. And then just one last question. In terms of Shannon, it looks like the realized power price has increased over the last few quarters. Has the, I guess, basis risk and transmission congestion—has that subsided? And is that the expectation going forward?

### **John Carson**

Yeah. We've actually turned a nice corner there. Our local service provider, Oncor, for transmission, was doing a lot of work on their own system over the last 12 months or so, up until recently. During that time, we experienced higher basis differential than we'd anticipated for the

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project. Once we found out that, that work was discontinued, we suddenly saw a nice resolution on our basis differential, and now, in fact, it's approaching what we'd thought in the first place, which is very minimal. So very happy with how things have turned around there. And our outlook for the basis differential risk component of that hedge is minimal at this point.

**Nelson Ng**

Okay. And then just one last final question on—in general, you mentioned that all the—like you're using a similar template for a lot of the wind projects from a contracting—or a PTC—or a tax equity perspective. But did I hear you guys right when you said about—is it 30 to 40 percent of the project cash flows would go to tax equity for the first, I guess, like nine years or so? Is that the kind of rule of thumb?

**John Carson**

Hey, Jon.

**Jonathan Schintler**

Yeah, John. I think I got this. (phon) That's—yeah. That's correct. There's some adjustors that can come into effect over time, but our basic tax equity structuring is very similar to our Shannon project. And as the project performs, those levels change slightly, but that's approximately correct.

**John Carson**

That's right, yeah. And I think we've given this guidance several times—I know that I have—so I'll give it again. Roughly in the ballpark of a third of cash goes, base case, to tax equity in most of

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these transactions. That can reverse. And Nelson, just to make explicit what Jon had alluded to, is the only factor that can adjust our allocations at Shannon is wind/output. Merchant power prices or other factors don't play into cash allocations.

**Nelson Ng**

Okay. Got it. Thanks a lot.

**Operator**

Thank you. And once again, as a reminder, should you have any questions, please press \*,  
1.

There are no further questions at this time. You may proceed.

**Ross Beaty**

Okay. Thank you very much. Well, we are getting off lightly today. So just it leaves me to conclude the call, but I thank all of our analysts and shareholders and interested parties who've dialled in faithfully over the many years we've been in operation now. If this is our last call, I would bid you good day, and thank you again for your support of Alterra.

**Operator**

Ladies and gentlemen, this concludes today's conference call. We thank you for participating, and we ask that you please disconnect your lines.

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