

**Solar Flow-Through**  
2015-I Limited Partnership (2015 LP)



## 2015 LP Snapshot for Q3 2018

- \$1.50 per unit distribution to unitholders paid at October 31, 2018
- All FIT 3.1 rooftop projects now operational, generating revenue
- Initial FIT 3.1 ground mount projects operational
- FIT 4 Contracts under development
- 159 FIT 5 applications awarded totalling 83.4 MW DC in September 2017

### Overview

2015 LP is part of a group of limited partnerships that share the same management team which own, operate and develop solar power generation projects in the Province of Ontario. These limited partnerships include 2015 LP, Solar Flow-Through 2012-I Limited Partnership ("2012 LP"), Solar Flow-Through 2013-I Limited Partnership ("2013 LP"), Solar Flow-Through 2014-I Limited Partnership ("2014 LP"), Solar Flow-Through 2016-I Limited Partnership ("2016 LP"), Solar Flow-Through 2017-I Limited Partnership ("2017 LP") and Solar Flow-Through 2017-A Limited Partnership ("2017-A LP") (collectively the "SFT Group").

The investment objective of the 2015 LP is to develop and operate solar power generation projects in the Province of Ontario in a manner that provides for income tax deductions to investors during the start-up, development and construction phases and steady income upon commencement of commercial operations. The 2015 LP raised \$13.519 million in 2015. The 2015 LP primarily shares an economic interest in FIT 3.1 rooftop, FIT 3.1 ground mount, FIT 4 and FIT 5 projects developed and financed by entities within the SFT Group.

The 2015 LP targeted income distribution is 7% per annum. Initial income distributions commenced December 31, 2017 (approximately 24 months from the final closing of the 2015 LP).

### Use of Funds

A total of \$12.505 million, representing 92.5% of the proceeds, was incurred on Canadian Renewable and Conservation Expenses ("CRCE"). The remaining proceeds were incurred on fully deductible partnership expenses in 2015. The 2015 LP did a renunciation for CRCE for the \$12.505 million ("CRCE Proceeds") prior to 2015 year-end. Unitholders received tax receipts for their investment in the 2015 LP in early 2016. As at the end of Q4 2016, the 2015 LP CRCE Proceeds were incurred to continue the development of the FIT 3.1 and FIT 4 projects originally funded and secured by members of the SFT Group and in securing long term leases, obtaining necessary prerequisites for project sites and fees pertaining to submitting Applications under the FIT 4 contract application window in Q4 2015 and under the FIT 5 contract application window in Q4 2016.



*600 kW DC FIT 2 Project located in Brampton, Ontario, completed in July 2015.*

### Performance of the 2015 LP

The first distribution of 1.25% was made on December 31, 2017 and increased by 0.25% to 1.50% in Q1 2018. The most recent payment was made on October 31, 2018.

### IESO Termination Notices Update

The Ontario general election of 2018 was held on June 7, 2018. The Progressive Conservative Party of Ontario won a majority government, with the Ontario New Democratic Party forming the Official Opposition. The election of a Progressive Conservative majority government has resulted in changes to many of the province's policies. These changes have affected the climate, energy, and electricity policy environment. On July 13, 2018, the new Government issued an Order in Council containing the Minister of Energy's Directive "to immediately take all steps necessary to wind down all FIT 2, 3, 4 and 5 contracts where the IESO has not issued Notice to Proceed ("NTP")." An NTP is issued for a contract when it is ready for construction. In response to the Minister of Energy's directive, on July 16, the Independent Electricity System Operator ("IESO") began issuing Termination Notices to all pre-NTP contract holders.

All of the SFT Group's operating solar projects have Feed-in-Tariff ("FIT") contracts with the IESO that are secured with 20-year Power Purchase Agreements.

As has always been the case, the IESO has the option to cancel contracts for projects currently under development that have not yet been issued a Notice to Proceed. In July 2018, the SFT Group received a total of 218 termination notices from the IESO representing the SFT Group's 113.8 MW DC portfolio of pre-NTP contracts. The letters are an official termination of the FIT contracts and issuance of a "Stop Work Notice" advising contract holders to immediately refrain from and permanently cease any development, construction and operation of the project.

The Termination Notice also confirms cost recovery of "Pre-Construction Development Costs" to the owner. Pre-Construction Development Costs are, generally, defined as reasonable costs incurred in development of a project from post contract award date to termination.

The SFT Group is also continuing to work with its advisory firms to explore all avenues and alternatives available, including investigating cost recovery and any resulting tax implications. The termination of the FIT contracts will not affect limited partners' (i.e. the investors) of Solar Flow-Through with respect to their eligibility of tax deductions.

All the 218 terminated contracts were from either FIT 3.1 (8 Contracts), FIT 4 (70 Contracts), or FIT 5 (140 Contracts) which were issued in 2015, 2016, and 2017 respectively. Going forward, the impact of these terminations will vary depending on the vintage of the limited partnership. The impact on older vintage limited partnerships (i.e. 2012 LP and 2013 LP) will be negligible as they have little to no economic interest in the FIT 4 and FIT 5 contracts terminated.

The impact on more recent limited partnerships (i.e. 2014 LP, 2015 LP, 2016 LP, 2017-I LP, and 2017-A LP) is being assessed by Management at this time. This assessment includes the amount of cost recovery and the use of funds resulting from cost recovery. Use of funds could include re-investment in projects, possible distributions and/or a redemption of units.

As previously mentioned, the terminations largely affect the SFT Group's development of FIT 4 and FIT 5 solar projects. To date, the SFT Group has been granted NTP approval status for FIT 4 projects totalling approximately 3 MW DC and NTP approval status for FIT 5 projects totalling approximately 10 MW DC. These projects are not affected by the issuance of Termination Notices and development of these projects is proceeding as planned.

Further updates will be provided as events progress.

### Net Asset Value (NAV)

At the end of Q3 2018, the NAV of 2015 LP units had not been updated and remained at \$100.00. Management of the 2015 LP ("Management") has delayed updating the NAV until the impact of terminated contracts on the SFT Group's limited partnerships has been fully assessed.

### Liquidity Options

Management's intention is to facilitate a liquidity event with secondary buyers for the 2015 LP unitholders. Management has delayed

the next liquidity event until the impact of terminated contracts on the SFT Group's limited partnerships has been fully assessed.

In the longer term, Management will pursue additional liquidity opportunities, which may include a listing on a Canadian stock exchange together with the SFT Group.

### **FIT 2 - All Projects Operating**

The 2015 LP shares an economic interest in the FIT 2 projects with 2012 LP, 2013 LP and 2014 LP. In the second half of 2015, all FIT 2 projects were completed and connected into Ontario's electrical grid and generating revenue from the production of electricity. The 2015 LP has a shared economic interest in FIT 2 projects owned and operated by the SFT Group totalling 5.5 MW DC.

### **FIT 3.1 Projects – All Rooftop Projects Operating and First Ground Mount Projects Operational**

The 2015 LP shares an economic interest in the FIT 3.1 ground mount projects with the 2012 LP, 2013 LP, 2014 LP and 2016 LP. Engineering and development of the FIT 3.1 ground mount projects continued through Q3 2018. Construction of the first FIT 3.1 ground mount projects began in fall 2017, and the first FIT 3.1 ground mount projects were completed and became operational in 2018. Most of the FIT 3.1 ground mount projects achieved commercial operation in spring 2018, and the remainder are expected to be operational by end of 2019.

Management expects that the 2015 LP will have a shared economic interest in FIT 3.1 projects owned and operated by the SFT Group totalling between 15 and 18 MW DC.

### **FIT 4 Projects - Ongoing Development and Feasibility Analysis Underway**

The 2015 LP has an economic interest in FIT 4 projects together with the 2013 LP, 2014 LP and 2016 LP.

In Q3 2016, the IESO awarded approximately 35 MW DC of FIT 4 Contracts to entities controlled by the 2015 LP and other entities

within the SFT Group. A number of ground mount projects may not proceed due to higher than expected costs associated with connecting these projects to the electrical grid, making them uneconomical. Management is currently investigating alternatives to reduce these connection costs. At this time, Management expects to build 5 FIT 4 solar projects totalling approximately 3 MW DC, all of which have been granted NTP approval status. Management does not believe that any of these projects are at risk of being cancelled.

Initial development of the FIT 4 projects began during Q4 2016. Permitting, engineering and development of the FIT 4 projects continued through Q2 2018. The majority of the FIT 4 projects are ground mount projects. Management has determined that the small number of the rooftop projects planned were uneconomical to construct. Management expects that most of the ground mount FIT 4 projects that are expected to become operational will be completed by the end of 2018, and the remainder by end of 2019.

### **FIT 5 Applications Awarded**

Management completed the FIT 5 application process in Q4 2016 for over 100 MW DC of projects. In September 2017, it was announced that entities within the SFT Group were awarded 159 FIT 5 contracts for a capacity of 83.8 MW DC. Management has started its review of these projects to assess the feasibility of the projects and develop a plan to build the portfolio. At this time, Management expects to build 19 FIT 5 solar projects totalling approximately 10 MW DC, all of which have been granted NTP approval status. Management does not believe that any of these projects are at risk of being cancelled. Management expects that a significant portion of the ground mount FIT 5 projects will be completed by the end of 2019, and the remainder by end of 2020. The development of the FIT 5 projects will be funded by the 2015 LP and subsequent Solar Flow-Through LPs.



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