GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

April 19, 2018

Pam Norwood
Superintendent
Crowell Independent School District
P. O. Box 239
Crowell, Texas 79227-0239

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Crowell Independent School District and Foard City Wind, LLC, Application 1231

Dear Superintendent Norwood:

On February 13, 2018, the Comptroller issued written notice that Foard City Wind, LLC (applicant) submitted a completed application (Application 1231) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on December 11, 2017, to the Crowell Independent School District (school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.

[1] All Statutory references are to the Texas Tax Code, unless otherwise noted.

Sec. 313.024(d)	Applicant has requested a waiver to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application 1231.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district's maintenance and operations *ad valorem tax* revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period, see Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state, see Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2018.

Note that any building or improvement existing as of the application review start date of February 13, 2018, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Foard City Wind, LLC (project) applying to Crowell Independent School District (district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Foard City Wind, LLC.

Applicant	Foard City Wind, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Crowell ISD
2016-2017 Average Daily Attendance	196
County	Foard
Proposed Total Investment in District	$385,000,000
Proposed Qualified Investment	$385,000,000
Limitation Amount	$20,000,000
Qualifying Time Period (Full Years)	2019-2020
Number of new qualifying jobs committed to by applicant	7*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	$1,062
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	$1,061.99
Minimum annual wage committed to by applicant for qualified jobs	$55,230
Minimum weekly wage required for non-qualifying jobs	$545
Minimum annual wage required for non-qualifying jobs	$28,315
Investment per Qualifying Job	$55,000,000
Estimated M&O levy without any limit (15 years)	$38,723,401
Estimated M&O levy with Limitation (15 years)	$10,387,250
Estimated gross M&O tax benefit (15 years)	$28,336,151

** Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).*

Table 2 is the estimated statewide economic impact of Foard City Wind, LLC (modeled).

	Employment			Personal Income			Revenue & Expenditure		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2018	50	44	93.75	$2,250,000	$3,487,300	$5,737,300	$289,900	-$183,100	$473,000
2019	252	225	477	$11,360,460	$19,279,140	$30,639,600	$1,548,800	-$816,300	$2,365,100
2020	7	1,116	1123	$386,610	$92,386,790	$92,773,400	$13,473,500	$618,000	$12,855,500
2021	7	1,554	1561	$386,610	$133,402,490	$133,789,100	$14,801,000	$2,342,200	$12,458,800
2022	7	1,811	1818	$386,610	$164,042,090	$164,428,700	$15,846,300	$4,226,700	$11,619,600
2023	7	1,936	1943	$386,610	$185,404,390	$185,791,000	$16,502,400	$6,111,100	$10,391,300
2024	7	1,972	1979	$386,610	$198,832,190	$199,218,800	$16,914,400	$7,888,800	$9,025,600
2025	7	1,950	1957	$386,610	$206,644,690	$207,031,300	$17,059,300	$9,536,700	$7,522,600
2026	0	1,877	1877	$0	$209,350,600	$209,350,600	$16,853,300	$10,986,300	$5,867,000
2027	7	1,782	1789	$386,610	$208,353,590	$208,740,200	$16,532,900	$12,138,400	$4,394,500
2028	7	1,667	1674	$386,610	$204,935,690	$205,322,300	$16,052,200	$13,084,400	$2,967,800
2029	7	1,556	1563	$386,610	$200,052,890	$200,439,500	$15,625,000	$13,816,800	$1,808,200
2030	7	1,044	1051	$386,610	$148,783,290	$149,169,900	$9,948,700	$14,350,900	-$4,402,200
2031	7	751	758	$386,610	$118,998,190	$119,384,800	$8,682,300	$14,061,000	-$5,378,700
2032	7	552	559	$386,610	$96,293,090	$96,679,700	$7,690,400	$13,481,100	-$5,790,700
2033	7	421	428	$386,610	$79,691,490	$80,078,100	$6,851,200	$12,733,500	-$5,882,300

Source: CPA REMI, Foard City Wind, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Crowell ISD I&S Tax Levy	Crowell ISD M&O Tax Levy	Crowell M&O and I&S Tax Levies	Foard County Tax Levy	Foard County Hospital Tax Levy	Gateway GCD Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.0000	1.1700		0.9350	0.3187	0.0100	
2020	$ 370,580,000.00	$370,580,000.00		$0	$4,335,786	$4,335,786	$3,464,923	$1,181,038	$37,058	$9,018,805
2021	$ 340,987,500.00	$340,987,500.00		$0	$3,989,554	$3,989,554	$3,188,233	$1,086,727	$34,099	$8,298,613
2022	$ 313,761,053.00	$313,761,053.00		$0	$3,671,004	$3,671,004	$2,933,666	$999,956	$31,376	$7,636,003
2023	$ 288,711,408.00	$288,711,408.00		$0	$3,377,923	$3,377,923	$2,699,452	$920,123	$28,871	$7,026,370
2024	$ 265,664,453.00	$265,664,453.00		$0	$3,108,274	$3,108,274	$2,483,963	$846,673	$26,566	$6,465,476
2025	$ 244,460,006.00	$244,460,006.00		$0	$2,860,182	$2,860,182	$2,285,701	$779,094	$24,446	$5,949,423
2026	$ 224,950,697.00	$224,950,697.00		$0	$2,631,923	$2,631,923	$2,103,289	$716,918	$22,495	$5,474,625
2027	$ 207,000,945.00	$207,000,945.00		$0	$2,421,911	$2,421,911	$1,935,459	$659,712	$20,700	$5,037,782
2028	$ 190,486,016.00	$190,486,016.00		$0	$2,228,686	$2,228,686	$1,781,044	$607,079	$19,049	$4,635,858
2029	$ 175,291,152.00	$175,291,152.00		$0	$2,050,906	$2,050,906	$1,638,972	$558,653	$17,529	$4,266,061
2030	$ 161,310,777.00	$161,310,777.00		$0	$1,887,336	$1,887,336	$1,508,256	$514,097	$16,131	$3,925,820
2031	$ 148,447,759.00	$148,447,759.00		$0	$1,736,839	$1,736,839	$1,387,987	$473,103	$14,845	$3,612,773
2032	$ 136,612,736.00	$136,612,736.00		$0	$1,598,369	$1,598,369	$1,277,329	$435,385	$13,661	$3,324,744
2033	$ 125,723,495.00	$125,723,495.00		$0	$1,470,965	$1,470,965	$1,175,515	$400,681	$12,572	$3,059,733
2034	$ 115,704,399.00	$115,704,399.00		$0	$1,353,741	$1,353,741	$1,081,836	$368,750	$11,570	$2,815,898
			Total	$0	$38,723,401	$38,723,401	$30,945,624	$10,547,990	$330,969	$80,547,984

Source: CPA, Foard City Wind, LLC

*Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Foard County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Crowell ISD I&S Tax Levy	Crowell ISD M&O Tax Levy	Crowell M&O and I&S Tax Levies	Foard County Tax Levy	Foard County Hospital Tax Levy	Gateway GCD Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.0000	1.1700		0.9350	0.3187	0.0100	
2020	$ 370,580,000.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$1,181,038	$37,058	$1,415,038
2021	$ 340,987,500.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$1,086,727	$34,099	$1,320,727
2022	$ 313,761,053.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$999,956	$31,376	$1,233,956
2023	$ 288,711,408.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$920,123	$28,871	$1,154,123
2024	$ 265,664,453.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$846,673	$26,566	$1,080,673
2025	$ 244,460,006.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$779,094	$24,446	$1,013,094
2026	$ 224,950,697.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$716,918	$22,495	$950,918
2027	$ 207,000,945.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$659,712	$20,700	$893,712
2028	$ 190,486,016.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$607,079	$19,049	$841,079
2029	$ 175,291,152.00	$ 20,000,000.00		$0	$234,000	$234,000	$0	$558,653	$17,529	$792,653
2030	$ 161,310,777.00	$161,310,777.00		$0	$1,887,336	$1,887,336	$1,508,256	$514,097	$16,131	$3,909,689
2031	$ 148,447,759.00	$148,447,759.00		$0	$1,736,839	$1,736,839	$1,387,987	$473,103	$14,845	$3,597,928
2032	$ 136,612,736.00	$136,612,736.00		$0	$1,598,369	$1,598,369	$1,277,329	$435,385	$13,661	$3,311,083
2033	$ 125,723,495.00	$125,723,495.00		$0	$1,470,965	$1,470,965	$1,175,515	$400,681	$12,572	$3,047,160
2034	$ 115,704,399.00	$115,704,399.00		$0	$1,353,741	$1,353,741	$1,081,836	$368,750	$11,570	$2,804,328
			Total	$0	$10,387,250	$10,387,250	$6,430,922	$10,547,990	$330,969	$27,366,162
			Diff	$0	$28,336,151	$28,336,151	$24,514,702	$0	$0	$53,181,822

Source: CPA, Foard City Wind, LLC
*Tax Rate per $100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

This represents the Comptroller's determination that Foard City Wind, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2017	$0	$0	$0	$0
	2018	$0	$0	$0	$0
	2019	$0	$0	$0	$0
Limitation Period (10 Years)	2020	$234,000	$234,000	$4,101,786	$4,101,786
	2021	$234,000	$468,000	$3,755,554	$7,857,340
	2022	$234,000	$702,000	$3,437,004	$11,294,344
	2023	$234,000	$936,000	$3,143,923	$14,438,268
	2024	$234,000	$1,170,000	$2,874,274	$17,312,542
	2025	$234,000	$1,404,000	$2,626,182	$19,938,724
	2026	$234,000	$1,638,000	$2,397,923	$22,336,647
	2027	$234,000	$1,872,000	$2,187,911	$24,524,558
	2028	$234,000	$2,106,000	$1,994,686	$26,519,244
	2029	$234,000	$2,340,000	$1,816,906	$28,336,151
Maintain Viable Presence (5 Years)	2030	$1,887,336	$4,227,336	$0	$28,336,151
	2031	$1,736,839	$5,964,175	$0	$28,336,151
	2032	$1,598,369	$7,562,544	$0	$28,336,151
	2033	$1,470,965	$9,033,509	$0	$28,336,151
	2034	$1,353,741	$10,387,250	$0	$28,336,151
Additional Years as Required by 313.026(c)(1) (10 Years)	2035	$1,245,885	$11,633,135	$0	$28,336,151
	2036	$1,146,645	$12,779,780	$0	$28,336,151
	2037	$1,055,334	$13,835,114	$0	$28,336,151
	2038	$971,317	$14,806,432	$0	$28,336,151
	2039	$894,012	$15,700,443	$0	$28,336,151
	2040	$822,881	$16,523,324	$0	$28,336,151
	2041	$757,430	$17,280,755	$0	$28,336,151
	2042	$697,206	$17,977,961	$0	$28,336,151
	2043	$641,791	$18,619,752	$0	$28,336,151
	2044	$590,800	$19,210,553	$0	$28,336,151

$19,210,553 is less than **$28,336,151**

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	No

Source: CPA, Foard City Wind, LLC

	Employment			Personal Income			Revenue & Expenditure		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2018	50	44	93.75	$2,250,000	$3,487,300	$5,737,300	$289,900	-$183,100	$473,000
2019	252	225	477	$11,360,460	$19,279,140	$30,639,600	$1,548,800	-$816,300	$2,365,100
2020	7	1,116	1123	$386,610	$92,386,790	$92,773,400	$13,473,500	$618,000	$12,855,500
2021	7	1,554	1561	$386,610	$133,402,490	$133,789,100	$14,801,000	$2,342,200	$12,458,800
2022	7	1,811	1818	$386,610	$164,042,090	$164,428,700	$15,846,300	$4,226,700	$11,619,600
2023	7	1,936	1943	$386,610	$185,404,390	$185,791,000	$16,502,400	$6,111,100	$10,391,300
2024	7	1,972	1979	$386,610	$198,832,190	$199,218,800	$16,914,400	$7,888,800	$9,025,600
2025	7	1,950	1957	$386,610	$206,644,690	$207,031,300	$17,059,300	$9,536,700	$7,522,600
2026	0	1,877	1877	$0	$209,350,600	$209,350,600	$16,853,300	$10,986,300	$5,867,000
2027	7	1,782	1789	$386,610	$208,353,590	$208,740,200	$16,532,900	$12,138,400	$4,394,500
2028	7	1,667	1674	$386,610	$204,935,690	$205,322,300	$16,052,200	$13,084,400	$2,967,800
2029	7	1,556	1563	$386,610	$200,052,890	$200,439,500	$15,625,000	$13,816,800	$1,808,200
2030	7	1,044	1051	$386,610	$148,783,290	$149,169,900	$9,948,700	$14,350,900	-$4,402,200
2031	7	751	758	$386,610	$118,998,190	$119,384,800	$8,682,300	$14,061,000	-$5,378,700
2032	7	552	559	$386,610	$96,293,090	$96,679,700	$7,690,400	$13,481,100	-$5,790,700
2033	7	421	428	$386,610	$79,691,490	$80,078,100	$6,851,200	$12,733,500	-$5,882,300
2034	7	333	340	$386,610	$68,461,090	$68,847,700	$6,271,400	$11,932,400	-$5,661,000
2035	7	286	293	$386,610	$61,625,090	$62,011,700	$5,714,400	$11,100,800	-$5,386,400
2036	7	259	266	$386,610	$56,742,290	$57,128,900	$5,310,100	$10,261,500	-$4,951,400
2037	7	245	252	$386,610	$55,765,690	$56,152,300	$4,982,000	$9,445,200	-$4,463,200
2038	7	237	244	$386,610	$56,498,190	$56,884,800	$4,730,200	$8,735,700	-$4,005,500
2039	7	247	254	$386,610	$59,427,890	$59,814,500	$4,547,100	$8,010,900	-$3,463,800
2040	7	257	264	$386,610	$62,357,490	$62,744,100	$4,440,300	$7,362,400	-$2,922,100
2041	7	266	273	$386,610	$66,996,190	$67,382,800	$4,440,300	$6,805,400	-$2,365,100
2042	7	274	281	$386,610	$73,099,690	$73,486,300	$4,348,800	$6,294,300	-$1,945,500
2043	7	274	281	$386,610	$78,226,690	$78,613,300	$4,303,000	$5,851,700	-$1,548,700
2044	7	278	285	$386,610	$84,574,290	$84,960,900	$4,196,200	$5,455,000	-$1,258,800
						Total	**$247,955,400**	**$225,631,800**	**$22,323,600**
							$41,534,153	is greater than	**$28,336,151**

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

Source: CPA, REMI, Foard City Wind, LLC

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that "the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state." This represents the basis for the Comptroller's determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the Foard City Wind, LLC's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Alterra Power Corp. in Tab 5 of their Application for a Limitation on Appraised Value
  A. "Due to the extremely competitive power market in ERCOT most ifnot all PP A's economic model assumptions are based on the Project securing this Chapter 313 appraised value limitation and other local tax incentives. Without the tax incentives in Texas, a project with a PPA becomes non-financeable. Therefore, this appraised value limitation is critical to the ability of the proposed Project to move forward as currently sited."
  B. "Alterra is continually comparing investment opportunities, rate of return, and market viability of each project based upon project financial metrics. For example, Alterra currently has ongoing project developments in many states, including but not limited to, California, Colorado, Nebraska, Oklahoma and Wyoming."
- A November 9, 2016 *Times Record News* (Foard County) states that "Jimmy Horn, owner of Windthorst-based wind energy developer Horn Wind LLC, told the Times Record News in May that some landowners in Crowell had expressed interest in entering into lease agreements with Alterra Energy Corp., who would take ownership of the completed project. 'We have a lot of interest from landowners and we have a lot of interest in developing. We have a lot of interest on all sides,' he said at the time."
- A May 26, 2016 Times Record News (Foard County) states that "In Foard County, Horn said he's completed some initial studies and has held a couple meetings with landowners. His company isn't 'quite ready to move forward' with signing leases and doing more comprehensive development work, he said. The county, which has a relatively low tax base of $200 million, is primarily a wheat and cattle producer. A large wind development could more than double its tax base — for a short time, at least."
- Alterra Power Corp, Management's Discussion & Analysis, for the Third Quarter ended – September 30, 2017, states: "The Foard City wind project's main transformer was purchased in 2016 and the

company expects the project to qualify for PTCs at the full rate. In, 2016, the Company also preformed certain construction activities (on-site and off-site) for the qualifying project is greater than 1,500 MW, including the Flat Top."

- Supplemental information provided by the applicant stated the following:
  A. The Foard City Wind Farm is not currently known by any other project name.
  B. The ERCOT IGNR number is 191NR0019.

Supporting Information

a) Section 8 of the Application for a Limitation on Appraised Value
b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
c) Additional information provided by the Applicant or located by the Comptroller

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☑ Yes ☐ No
2. The property will be used for one of the following activities:
   (1) manufacturing ☐ Yes ☑ No
   (2) research and development ☐ Yes ☑ No
   (3) a clean coal project, as defined by Section 5.001, Water Code ☐ Yes ☑ No
   (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code ☐ Yes ☑ No
   (5) renewable energy electric generation ☑ Yes ☐ No
   (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☑ No
   (7) nuclear electric power generation ☐ Yes ☑ No
   (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☑ No
   (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☑ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☑ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☑ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☑ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☑ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☑ No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

☑ Land has no existing improvements

☐ Land has existing improvements *(complete Section 13)*

☐ Expansion of existing operation on the land *(complete Section 13)*

☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? ☐ Yes ☑ No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? ☑ Yes ☐ No
   Company has 312 agreement with Foard County
3. Does the applicant have current business activities at the location where the proposed project will occur? ☐ Yes ☑ No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? ☐ Yes ☑ No
5. Has the applicant received any local or state permits for activities on the proposed project site? ☐ Yes ☑ No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? ☑ Yes ☐ No
   Company has 312 agreement with Foard County
7. Is the applicant evaluating other locations not in Texas for the proposed project? ☑ Yes ☐ No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? ☐ Yes ☑ No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? ☐ Yes ☑ No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? ☑ Yes ☐ No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

TAB 5

Documentation to assist in determining if limitation is a determining factor.

Alterra Power Corp., together with its affiliates, "Alterra", is a global renewable energy company that manages eight power plants totaling 825 MW of hydro, wind, geothermal and solar generation capacity in Canada, the USA and Iceland. Alterra owns a 363 MW share of this capacity, generating over 1,500 GWh of clean power annually. Alterra produces the majority of its electricity from clean and renewable sources, including wind and solar. Alterra has a long-term commitment to both wind and solar with an outlook to significantly expand our fleet of clean energy generating capacity.

Alterra is keen to develop and build the proposed Foard City wind project as per this application, but since this Project is still in the early stages of development, further investment could be, if necessary, redeployed to other counties and states competing for similar wind projects. Alterra is active in states throughout the United Sates and globally, where each project individually competes for a finite pool of capital investment. State and local tax incentives contribute to the lowering of the cost of power sold to our customers and making our investment more viable and marketable. Alterra is continually comparing investment opportunities, rate of return, and market viability of each project based upon project financial metrics. For example, Alterra currently has ongoing project developments in many states, including but not limited to, California, Colorado, Nebraska, Oklahoma and Wyoming.

Due to the extremely competitive power market in ERCOT most if not all PPA's economic model assumptions are based on the Project securing this Chapter 313 appraised value limitation and other local tax incentives. The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a PPA. A signed PPA in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Both parties of a PPA have an escape clause if the terms of the PPA cannot be met. Without the tax incentives in Texas, a project with a PPA becomes non-financeable. Therefore, this appraised value limitation is critical to the ability of the proposed Project to move forward as currently sited.

Foard City Wind, LLC has an executed Tax Abatement Agreement with Foard County with regards to this project. As stated above, this project will need both the agreement with the County and the 313 Value Limitation with Crowell ISD to make it economically viable. This project could not move forward without the value limitation from Crowell ISD.

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

Times Record News
PART OF THE USA TODAY NETWORK

Foard County wind farm plans make headway

Christopher M. Collins, Times Record News Published 4:27 p.m. CT Nov. 29, 2016 | Updated 5:02 p.m. CT Nov. 29, 2016

Buy Photo

(Photo: TORIN HALSEY/TIMES RECORD NEWS)

Plans to build a wind energy development in Foard County are making headway with federal authorities, reports show.

This month, the Federal Aviation Administration approved the installation of three meteorological towers in the county - the towers allow developers to measure an area's weather conditions, and their installation generally is heralded as an important introductory step in the construction of a wind farm.

Jimmy Horn, owner of Windthorst-based wind energy developer Horn Wind LLC, told the Times Record News in May that some landowners in Crowell had expressed interest in entering into lease agreements with Alterra Energy Corp., who would take ownership of the completed project.

"We have a lot of interest from landowners and we have a lot of interest in developing. We have a lot of interest on all sides," he said at the time. Horn did not return a phone call for this story Tuesday.

The installation of objects that could obstruct air traffic - a wind turbine or meteorological tower, for instance - must first be OK'd by the FAA before construction begins. The agency gave its approval for the installation of three towers on Nov. 8.

"This aeronautical study revealed that the structure does not exceed obstruction standards and would not be a hazard to air navigation" if it is properly lighted, the FAA report reads.

The timetable for a new wind farm in Foard County, or whether the project will every reach fruition, is unclear.

BUSINESS | WIND FARMS

Foard County wind farm in the works

TORIN HALSEY/TIMES RECORD NEWS A group calling itself Clay County Against Wind Farms met Tuesday evening to share information about the many negative effects of wind turbines and to voice growing public opposition to additional wind farms in Clay County. The wind turbines pictured are in far southwest Clay County.

By Christopher Collins of the Times Record News
May 26, 2016

Foard County — a county of tiny population located about an hour-and-a-half west of Wichita Falls — could one day be the home of North Texas' newest wind energy development.

Jimmy Horn of Horn Wind LLC said this week that his company has been courting landowners near Crowell, population 905. Though "we're just getting going" on the project, the prospect of wind turbine installation in Foard County looks promising at the moment, he said.

"We have a lot of interest from landowners and we have a lot of interest in developing. We have a lot of interest on all sides," said Horn, whose company is developing two potential projects in Clay County near the communities of Bluegrove and Byers.

Those projects are valued at a combined $450 million and are expected to be constructed on more than 11,000 acres of rural ranch and farmland. They also have elicited warnings from activist group Clay County Against Wind Farms, Sheppard Air Force Base and the Wichita Falls Chamber of Commerce & Industry regarding ramifications the projects could have on the area's economy.

In Foard County, Horn said he's completed some initial studies and has held a couple meetings with landowners. His company isn't "quite ready to move forward" with signing leases and doing more comprehensive development work, he said.

The county, which has a relatively low tax base of $200 million, is primarily a wheat and cattle producer. A large wind development could more than double its tax base — for a short time, at least.

Horn said he wasn't comfortable releasing specific details about the project until plans become more solidified.

About Christopher Collins

Christopher Collins is an investigative journalist leading in-depth and long-term projects for the Times Record News.

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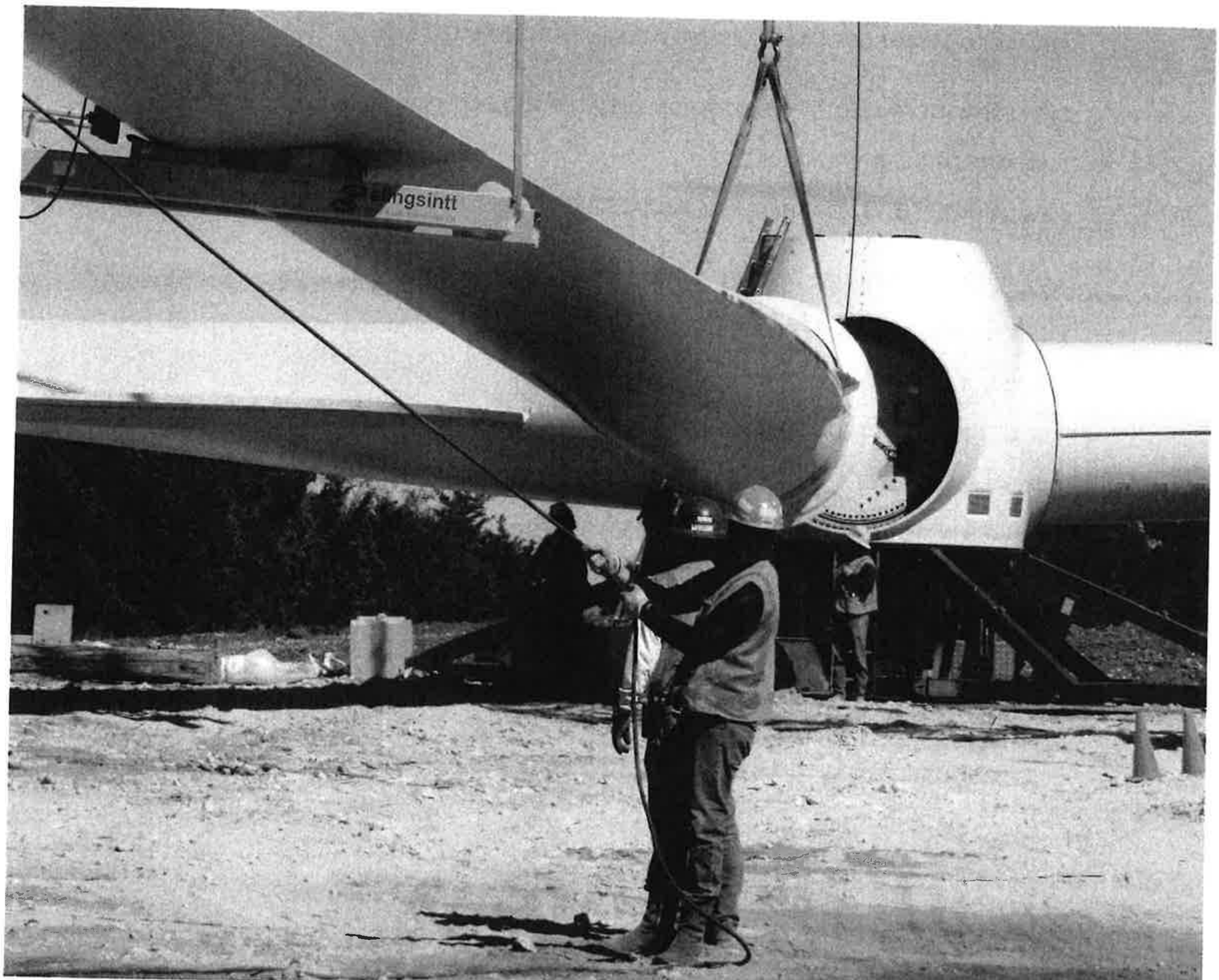
Alterra
POWER CORP

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE QUARTER ENDED – SEPTEMBER 30, 2017



FLAT TOP PROJECT (OCTOBER 2017)

TABLE OF CONTENTS

November 9, 2017

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that have affected the performance of Alterra Power Corp. and its subsidiaries (the "Company" or "Alterra") and such factors that may affect its future performance. This MD&A has been prepared as of November 9, 2017 and it should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2017 prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, and with the audited consolidated financial statements of the Company for the year ended December 31, 2016 and the related notes thereto. All figures are expressed in United States ("USA") dollars and all tabular amounts are in $000s, except where otherwise indicated. References to C$ are to Canadian dollars and references to ISK are to Icelandic krona. The Company reports its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A refers to certain measures that are not standardized under IFRS, such as "net interest", by which the Company means the effective portion of operating results that the Company would have reported if each of HS Orka hf (66.6% through July 27, 2017 and 53.9% thereafter, "HS Orka"), the Toba Montrose General Partnership (40%, "Toba Montrose GP"), the Dokie General Partnership (25.5%, "Dokie GP"), Shannon Group Holdings, LLC (50% sponsor equity, "Shannon Group LLC"), the Jimmie Creek Limited Partnership (51%, "Jimmie Creek LP"), and MUKO Partnership Holdings, LLC (90% sponsor equity, "Kokomo LLC") had been reported in accordance with the Company's actual share ownership for the three and nine months ended September 30, 2017 (the "current quarter" and "current period", respectively) and for the three and nine months ended September 30, 2016 (the "comparative quarter" and "comparative period", respectively). This measure along with the use of adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), are non-IFRS measures used by Alterra to better manage and evaluate Company performance and to further assist the Company's shareholders in understanding the Company's holdings, but does not have standardized meaning. To facilitate a better understanding of these measures presented by the Company, qualifications, definitions and reconciliations have been provided in the section "Alternative Performance Measures".

Certain statements contained in this MD&A are forward-looking information within the meaning of applicable Canadian securities laws relating to the Company and its operations. Please refer to the cautionary note regarding the risks associated with forward-looking information at the back of this MD&A and under the heading "Risk Factors" in the Company's Annual Information Form on file with the Canadian securities regulatory authorities. Additional information and disclosure relating to the Company, can be found on the Company's website at www.alterrapower.ca and on the SEDAR website at www.sedar.com. Information contained in or otherwise accessible through our website does not form part of the MD&A.

CORE BUSINESS AND STRATEGY

The Company is engaged in the ownership, operation, development and acquisition of renewable power projects. The Company currently manages eight power plants totaling 825 megawatts ("MW") of capacity, with operations in Canada, USA and Iceland. The Company also has three projects, Spartan, Flat Top, and Brúarvirkjun that are in advanced construction and are expected to achieve commercial operations in late 2017, the first half of 2018, and 2019, respectively.

The Company's current portfolio of operating and advanced construction facilities is summarized as follows:

		Location	Type of generation	Capacity (MW)	Long-term annual electricity generation (MWh)	% included in consolidated financial statements at September 30, 2017	Ownership entity	Alterra net interest
Operating	Reykjanes	Iceland	Geothermal	100	745,000	100%	HS Orka	53.9%[e]
	Svartsengi	Iceland	Geothermal	74	520,000	100%	HS Orka	53.9%[e]
	Toba Montrose	British Columbia, Canada	Run of river hydro	235[a]	727,000	40%	Toba Montrose GP	40%
	Dokie 1	British Columbia, Canada	Wind	144	330,000	25.5%	Dokie GP	25.5%
	Shannon	Texas, USA	Wind	204	794,000	50%[b]	Shannon Group LLC	50%[b]
	Jimmie Creek	British Columbia, Canada	Run of river hydro	62	159,000	51%	Jimmie Creek LP	51%
	Kokomo	Indiana, USA	Solar	6	9,900	90%[b]	Kokomo LLC	90%[b]
Advanced Construction	Flat Top	Texas, USA	Wind	200	879,000	51%	Flat Top Group LLC	51%
	Spartan	Michigan, USA	Solar	11	14,000	100%[c]	Spartan LLC	100%[d]
	Brúarvirkjun	Iceland	Run of river hydro	10	82,000	100%	HS Orka	53.9%[e]

(a) Consists of the East Toba (147 MW) and Montrose Creek (88 MW) power plants, collectively "Toba Montrose"
(b) Unless otherwise specified, here and elsewhere, reflects Alterra's portion of sponsor equity ownership
(c) 100% owned by Alterra at September 30, 2017 and classified as held for sale (reflecting the Company's intention to sell partnership interests in the project). On November 6, 2017, the tax equity partner funded their first equity injection into the project, resulting in a loss of control by the Company
(d) Sponsor equity ownership expected to be in excess of 85%; final ownership allocation will vary depending on final project economics
(e) Here and elsewhere, Alterra's net interest in Reykjanes, Svartsengi and Brúarvirkjun reflects the Company's ownership in HS Orka reduced from 66.6% to 53.9%, pursuant to a settlement agreement signed on July 27, 2017

The Company also has development projects in several locations as follows:

Location	Project	Net ownership	Technology
USA	Boswell Springs	100%	Wind
	Jawbone	100%	Wind
	Foard City	100%	Wind
	Soda Lake Solar	100%	Solar
	Multiple other wind projects	100%	Wind
Iceland	Reykjanes 3-4 (potential expansion)	54%	Geothermal
	Eldvörp / Krýsuvík	54%	Geothermal
	Stóra Sandvík	54%	Geothermal
	VesturVerk hydro portfolio	38%	Hydro
	Búlandsvirkjun	27%	Hydro
	Multiple early stage projects	54%	Geothermal/Hydro
Canada	Tahumming	100%	Hydro
	Bute Inlet	100%	Hydro
	Dokie 2	51%	Wind
	South Toba projects	100%	Hydro
	Coastal wind projects	100%	Wind
	Multiple early stage projects	100%	Hydro
Chile	Mariposa	30%	Geothermal
Italy	Mensano / Roccastrada	45%	Geothermal

The Company was incorporated on January 22, 2008, pursuant to the *Business Corporations Act* (British Columbia) and effectively commenced operations in February 2008. The Company's head office is located in Vancouver, British Columbia ("BC"), Canada, it is a reporting issuer in all the provinces and territories of Canada except the Province of Quebec, and its common shares trade on the Toronto Stock Exchange under the symbol AXY.

The Company's mission is to responsibly and sustainably grow our renewable power portfolio through successful origination and development of new utility-scale projects, continued excellence in production and safety as a premier operator/manager, and opportunistic acquisitions of other renewable power projects and development assets.

To execute this strategy, the Company has assembled a team of professionals with deep development, construction, operating, and financial knowledge that allows the Company to advance early stage projects through development, construction, and into operation. The Company has a proven ability to develop and deliver large operating assets at greenfield locations, on-time and on-budget.

In addition to maximizing value for its shareholders, the core values of the Company include being responsible for the environment in which the Company operates, displacing carbon-generating power sources, contributing to the long-term development of host communities, ensuring that employees can work in a safe and secure manner, and maintaining positive relations with employees, local communities and government agencies, all of whom are viewed as partners.

HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 AND SUBSEQUENT EVENTS

Operations

- **Improved generation:** Quarterly generation was 95.5% of budget, up from 91.9% in the comparative quarter, reflecting a full quarter of generation at Jimmie Creek and strong production from the BC projects, partially offsetting low winds at Shannon.

Q3 2017 Generation (MWh)					
	Total		Net Interest		
Facility	Budget[a]	Actual	Budget[a]	Actual	% of Budget
Reykjanes	125,560	120,873	70,902	68,459	96.6%
Svartsengi	127,919	121,906	74,010	70,659	95.5%
Toba Montrose	380,930	382,194	152,372	152,878	100.3%
Jimmie Creek	101,222	111,663	51,623	56,948	110.3%
Dokie 1[b]	71,909	78,680	18,337	20,063	109.4%
Shannon	155,736	112,161	77,868	56,081	72.0%
Kokomo	3,040	2,736	2,736	2,462	90.0%
TOTAL	**966,316**	**930,213**	**447,848**	**427,550**	**95.5%**

(a) Budgeted amounts include planned maintenance outages
(b) Here and elsewhere, 2017 net interest generation for Dokie 1 includes 738 MWh of deemed/paid generation following a short-term curtailment by the utility

- **Strong generation by BC projects:** Toba Montrose and Jimmie Creek achieved 100% and 110% of plan respectively due to strong water flows over the summer months, while Dokie 1 achieved 109% of plan due to higher than expected winds.

- **Geothermal field improvement at Reykjanes:** Recent field enhancement efforts (including wellhead cleaning and adjustments to turbine pressure and reservoir levels) have resulted in increased generation. The Company expects further increases in plant output in 2018 from the drilling of planned new wells and well work-overs. Generation at Reykjanes has been above budget all year except for a plant maintenance outage in September, which resulted in lower than forecast generation during the quarter. The plant is currently generating at 76 MW, the highest output level since second quarter 2016.

Completion of Flat Top Financing and Partnership

- **Project financing completed:** On July 19, the Company closed a $287.2 million non-recourse credit facility for Flat Top supplied by Citi, Santander and the Royal Bank of Canada, consisting of a $216.7 million construction loan plus $70.5 million in letters of credit. The loan facility is expected to be retired by a $221.1 million tax equity investment to be supplied by subsidiaries of Berkshire Hathaway Energy and Citi (subject to typical conditions precedent). Alterra's total equity contribution for its 51% equity stake was $43.2 million.

- **New partner:** On July 19, the Company entered into a partnership agreement under which a fund managed by BlackRock Real Assets ("BlackRock") acquired a 49% equity interest in the project. Alterra owns 51% and will continue to manage the project.

- **Construction update:** Construction continues on schedule and on budget. Access road construction, excavation and concrete work for turbine foundations, construction of the operations and maintenance building, and delivery and installation of the main power transformer are complete. Construction of the transmission line is 75% complete, and construction of the substation is expected to be completed by the end of November. Turbine erection is now underway. The Company expects commercial operations to commence in the first half of 2018.

Other Project Developments and Acquisitions

- **Acquisition of Jawbone:** In September, the Company acquired Jawbone, a 40 MW wind development project located in Kern County, California that is fully zoned for wind-powered generation. The Company commenced construction of the project's main power transformer in 2016 in anticipation of acquiring the asset, and expects the project to qualify for federal production tax credits ("PTCs") at the full rate. New meteorological towers have been installed on the site.

- **Spartan update:**

    - **Project financing completed:** In August, the Company secured a non-recourse project financing for Spartan, an 11 MW solar project under construction in East Lansing, Michigan. The financing features a $19.8 million construction loan, which will be retired upon commercial operations by a $10.2 million term loan and a $9.7 million tax equity investment provided by 1st Source Bank, a subsidiary of 1st Source Corporation ("1st Source") subject to typical conditions precedent and other factors.

    - **Initial tax equity funding:** On November 6, the first segment of the project achieved mechanical completion, resulting in payment of the first installment of tax equity funding ($1.9 million), which was used to partially repay the construction loan.

    - **Construction update:** Construction for the project continues on schedule and on budget, with approximately 90% of overall construction complete. Commissioning and performance testing is expected to occur throughout November to early December. The project is expected to achieve commercial operations in December, at which point the 25 year power purchase agreement ("PPA") term will commence.

Financial / Other

- **$119 million financing completed at HS Orka:** On September 14, HS Orka executed a $133.2 million (€112.0 million) corporate loan, subsequently revised down to $119.4 million. The new loan, provided by Arion Bank hf., carries an initial term of five years with options to extend the loan's term up to 18 years. Primary uses of loan proceeds include construction of the Brúarvirkjun project, drilling and other field development activities at Reykjanes, and the retirement of €40.5 million of HS Orka's previously outstanding loans (completed later in September).

- **Settlement of $71 million Icelandic bond:** On July 27, the Company's subsidiary Magma Energy Sweden A.B. ("Magma Sweden") settled and extinguished the $70.8 million liability associated with the Reykjanesbær bond. Under the settlement, Magma Sweden also delivered the bond collateral (a 12.7% ownership stake in HS Orka) to the bondholder Fagfjárfestasjóðurinn ORK. The Company recorded a gain of $32.0 million on the debt settlement of which $8.0 million was recorded in the statement of operations ($3.6 million included in other income and $4.4 million included in change in fair value of bond payable) and the remaining $24.0 million was recorded directly in equity.

- **Expansion of AMP loan facility:** On July 19, the Company received $21.1 million of new funding related to an expansion of its North American holding company loan (provided by affiliates of AMP Capital Investors Limited). The proceeds funded a portion of Alterra's equity contribution for Flat Top. The interest rate for the new tranche is London Interbank Offered Rate ("LIBOR") plus 5.75% and in conjunction with funding the loan expansion, the interest rate for existing two tranches of the facility was reduced from Canadian Dollar Offered Rate ("CDOR") plus 6.5% to CDOR plus 5.75%.

- **Revenue:** Consolidated revenue increased by 19% to $16.8 million in 2017, and net interest revenue increased by 14% to $32.1 million predominantly due to a strengthening Icelandic krona, increased retail sales, an increase in aluminum prices during the quarter (25% of sales at HS Orka are linked to the price of aluminum), plus increased generation at Toba Montrose along with the inclusion of a full quarter of results from Jimmie Creek (comparative quarter only from August 1, 2016) and Kokomo.

- **Adjusted EBITDA:** Consolidated Adjusted EBITDA increased by 13% to $24.2 million, and net interest Adjusted EBITDA increased by 9% to $20.8 million, primarily due to increased generation at Toba Montrose and the full three months of results from Jimmie Creek.

- **Distributions declared/received:** The Company received distributions as follows:

    - **Toba Montrose:** Toba Montrose GP declared and paid equity distributions of C$17.0 million on August 3, 2017, of which the Company's share was C$6.8 million.

    - **Jimmie Creek:** Jimmie Creek declared and paid its first operating distribution of C$3.1 million on November 1, 2017, of which the Company's share was C$1.6 million. In addition to the operating distribution, C$1.4 million in unused construction funds was distributed to Axium Infrastructure Inc. ("Axium") in accordance with the project partnership agreement.

    - **Dokie 1:** Dokie GP declared and paid equity distributions of C$1.5 million on August 1, 2017, of which the Company's share was C$0.4 million.

    - **HS Orka:** In October, the Company received $2.3 million related to the HS Orka dividend declared in 2016.

- **Shareholder dividends:**

    - **Regular dividends:** On September 15, the Company paid its regular quarterly cash dividend of C$0.0125 per common share, and subsequent to the quarter approved the next regular dividend (also C$0.0125 per common share), which will be distributed in cash on or about December 15, 2017 to common shareholders of record as of the close of business on November 30, 2017. The Company's dividends are designated as eligible dividends for the purposes of the Income Tax Act (Canada), unless otherwise notified.

    - **Dividend suspension:** In light of the Innnergex Transaction (defined below), following the payment of the Company's regular dividend on or about December 15, 2017, the Company plans to suspend payment of regular dividends.

- **Acquisition by Innergex Renewable Energy Inc.:** On October 30, 2017, the Company announced that it had entered into an arrangement agreement ("Arrangement Agreement") with Innergex Renewable Energy Inc. ("Innergex") pursuant to which Innergex is offering to acquire all of the issued and outstanding common shares of the Company ("Alterra Common Shares") for an aggregate consideration of C$1.1 billion, including the assumption of the Company's debt (the "Innergex Transaction"). Pursuant to the Innergex Transaction, the Company's shareholders will receive, at the election of each such shareholder, either (i) C$8.25 in cash or (ii) 0.5563 common shares of Innergex, for each Alterra Common Share, subject in each case to proration, such that the aggregate consideration paid to the Company's shareholders will consist of approximately 25% in cash and 75% in common shares of Innergex ("Innergex Common Shares"). Giving full effect to proration, the consideration for each Alterra Common Share represents C$2.06 in cash and 0.4172 Innergex Common Shares. The price of C$8.25 per Alterra Common Share of the Company represents a premium of 58% to Alterra's 20-day volume weighted average price of C$5.21 on the Toronto Stock Exchange as of October 27, 2017.

The Innergex Common Shares issuable to Company shareholders in connection with the Innergex Transaction represent a pro forma ownership of approximately 19% of the combined company.

Completion of the Innergex Transaction is subject to approval of at least 66.7% of the Alterra Common Shares represented in person or by proxy at a special meeting of the Company's shareholders to be called to consider the transaction (expected to be held on December 14, 2017), and satisfaction of other customary approvals, including key third party consents, regulatory, stock exchange and court approvals. Closing of the Innergex Transaction is expected to occur in the first quarter of 2018.

The Arrangement Agreement provides for customary non-solicitation covenants on the part of the Company and a right in favour of Innergex to match any unsolicited superior proposal. If Innergex does not exercise its right to match, Innergex would receive a termination fee of approximately C$18.5 million from the Company in the event the Arrangement Agreement is terminated as a result of a superior proposal.

Under the terms of the revolving credit facility, all amounts owing under the facility will be immediately due and payable by the Company on the date of a change of control of the Company (including the Arrangement Agreement with Innergex). It is a condition to closing of the Arrangement Agreement that the Company's Chairman waive his entitlement to have all amounts owing under the revolving credit facility become immediately due and payable to him upon consummation of the Arrangement Agreement.

The Innergex Transaction may also trigger change of control payments for key management personnel.

The Company expects to refinance the current portion of the holding company bond (Sweden) with Orkuveita Reykjavíkur prior to the maturity date. Specifically, on delisting of the Company's shares, which is expected following closing of the Innergex Transaction, the bond immediately becomes payable and is expected to be settled in full.

More detailed information concerning the Innergex Transaction and the special meeting of the Company's shareholders will be included in a management information circular expected to be mailed to Alterra's shareholders on or about November 16, 2017.

OPERATIONS REVIEW

HS Orka (Reykjanes and Svartsengi geothermal facilities), Iceland

The Company holds a 53.9% economic interest in HS Orka, which produces and sells electricity from two operating geothermal plants (Reykjanes and Svartsengi) located in the Reykjanes peninsula of Iceland. On July 27, the Company's subsidiary Magma Sweden settled and extinguished the $70.8 million liability associated with the Reykjanesbær bond. Under the settlement, Magma Sweden also delivered the bond collateral (a 12.7% ownership stake in HS Orka) to the bondholder, Fagfjárfestasjóðurinn ORK. At that time the Company's economic interest in HS Orka decreased from 66.6% to 53.9%. In October, following the completion of certain conditions precedent, legal title of the 12.7% HS Orka ownership stake was transferred to the bondholder. The Company continues to manage

HS Orka and consolidate its financial results. The remaining 33.4% economic interest in HS Orka is held by Jarðvarmi slhf, a consortium of Icelandic pension funds.

The Reykjanes plant has 100 MW of generation capacity and is expected to generate a long-term average of 745,000 MWh of electricity annually, while the Svartsengi plant has 74 MW of generation capacity and is expected to generate a long-term average of 520,000 MWh of electricity as well as 190 MW (thermal) of capacity for hot water for district heating. HS Orka sells power to a number of commercial and retail customers including power sold under long-term PPAs, with Landsvirkjun, Norðurál Helguvík ehf (together with its affiliates "Norðurál") and Advania. The long-term contracts with Landsvirkjun and Norðurál (linked to the price of aluminum) expire in 2019 and 2026 respectively.

In 2015, HS Orka signed a long-term PPA with Thorsil ehf., which is planning to construct and operate a silicon metal plant in Helguvík, Iceland. Thorsil's management continues to work towards final permitting and securing of full financing for the plant, however construction has been delayed. Consequently the conditions to the contract were unfulfilled and the agreement has lapsed, with HS Orka free to sell the power elsewhere. Both parties are working towards reinstatement of the agreement under which HS Orka would supply up to 44 MW of the plant's power needs commencing in 2020 or 2021.

Because of generation declines that occurred in 2016 at the Reykjanes plant, the Company deployed several methods of field enhancement to arrest the declines and to enhance future field output. The mitigation measures, including well-venting and other reservoir level adjustments, turbine pressure adjustments and wellhead cleaning, have achieved positive results, resulting in stabilized generation in the fourth quarter of 2016 and increased generation during 2017 (plant currently running at 76 MW, the highest level since second quarter 2016). Further field enhancement measures, including drilling new wells and well work-overs are planned as well as other potential activities in light of new information from the deep drilling project. Well RN 35, which is expected to produce 4-5 MW, has been successfully drilled and is currently heating up with the target to connect in early 2018. A second well (RN 36) is expected to be drilled during the fourth quarter, in the Stampar area outside the main field, where the Company successfully drilled RN 29 (well RN 29 is planned to be connected over the next 12 months).

In 2015, HS Orka was awarded grants related to a deep drilling program, that was funded by a consortium that included Norway's national energy company Statoil, two Icelandic power companies including the state-owned Landsvirkjun, the National Energy Authority of Iceland and several other European entities plus a €6.2 million grant from the European Union. Active drilling commenced in August 2016 and was completed in early 2017 reaching a depth of 4,650 meters, making it the deepest well in Iceland. Initial well readings (427°C temperature, 340 bars pressure) indicated supercritical conditions at the base of the well, comprising significantly higher energy content versus conventional high-temperature geothermal steam. Preliminary results also indicate a number of permeable and productive zones below 3,000 meters, which is a deeper producing zone than previously known in the Reykjanes field. The Company will eventually conduct further temperature, pressure and other tests to determine whether the well will best serve as a new production source for the Reykjanes plant or as a deep injection node, providing pressure support for the field from a sub-field location. The final outcome may not be known until late 2018.

HS Orka completed two production wells at the Svartsengi field in 2015 and 2016. The first well, SVA 25, is now supplying 2 to 3 MW of production steam to the Svartsengi plant. The second well, SVA 26, was drilled at a new easternmost location in the field and has now completed flow testing. The well is expected to be connected to the plant before the end of the year. Early estimates indicate the SVA 26 production potential to be 2 to 3 MW. Both wells extended the known area of the Svartsengi field, which has successfully supported geothermal production since 1978.

HS Orka also completed construction of a new discharge pipe at the Svartsengi plant in the third quarter of 2016, which is now in full operation. HS Orka expects the increased discharge capacity provided by the pipe to facilitate increased production from the Svartsengi plant and enable further development from the joint Svartsengi-Eldvörp geothermal field (discussed below).

HS Orka also holds a 30% interest in Blue Lagoon hf. (a geothermal spa in Iceland), which draws over a million visitors annually. In May, the Company announced HS Orka's intention to examine strategic alternatives for its interest in the Blue Lagoon, up to and including a full sale of the interest. Multiple offers in excess of €90 million were received for the 30% stake held by HS Orka. However, HS Orka ended the process when Jarðvarmi slhf, whose consent was required, decided against selling the stake. The Company is reviewing various options with regards to the stake.

HS Orka, through its "Resource Park", also provides and sells various other geothermal-related products to companies located near the two power plants, including geothermal brine and steam, gas, fresh water, and warm sea water.

During 2017, a hearing date was scheduled for January 8, 2018 to settle the dispute with HS Veitur hf ("HS Veitur") regarding HS Veitur's share of the pension liability. The value of the long-term receivable from HS Veitur is $6.8 million at September 30, 2017.

The operating results of HS Orka are shown below and reflect the Company's 66.6% interest in July and 53.9% interest thereafter and 66.6% interest in the comparative quarter. Due to the change in beneficial ownership of HS Orka on July 27, 2017, the results are not directly comparable. Adjusted information is also shown below which reflects what the results would have been had Alterra's interest been 66.6% of HS Orka for the current quarter:

	Three months ended September 30		
	2017	**2017 Adjusted[(a)]**	**2016**
Generation (MWh)	139,118	161,691	180,159
Revenue	9,748	11,217	9,391
Adjusted EBITDA	3,602	4,678	4,693

(a) The adjusted operating results for HS Orka reflect what the results would have been if the Company's ownership had been 66.6% for the three months ended September 30, 2017 ("Adjusted")

Generation was at 96% of budget as a result of lower generation at Reykjanes in September due to plant curtailment, when one of the two turbines was off-line for repair work. Excluding September, production at Reykjanes has exceeded budget in 2017 as generation has generally continued to increase. Revenue increased due to foreign exchange as well as increased aluminum prices and strong retail sales. Adjusted EBITDA remained consistent as the increase in revenue was offset by the increase in maintenance costs.

Revenue from contracts linked to aluminum prices were 25% of total HS Orka revenue (23% in the comparative quarter).

Toba Montrose hydroelectric facility, British Columbia, Canada

The Company operates and holds a 40% economic interest (51% voting interest) in the 235 MW Toba Montrose project (consisting of the 147 MW East Toba and 88 MW Montrose Creek power plants), which is held by Toba Montrose GP and has been in operation since May 2010. The remaining 60% economic interest in the project is held by an investor consortium led by a fund managed by Axium. The Company's economic interest in the project will increase from 40% to 51% in May 2045 for no additional consideration.

Toba Montrose sells 100% of its electricity to the British Columbia Hydro and Power Authority ("BC Hydro") under a 35-year PPA that expires in May 2045. The facility is expected to generate a long term average of 727,000 MWh of electricity annually.

Toba Montrose is EcoLogo certified and receives funding under the Government of Canada's ecoENERGY for Renewable Power program (the "ecoENERGY program") of up to C$72.7 million during its first ten years of operations (until 2020), at a rate of C$10 per MWh. The Company anticipates the ten year restraint will come into effect rather than the C$72.7 million cap.

Toba Montrose's annual long-term generation is projected to vary seasonally in the following proportions:

January - March	4%
April - June	32%
July - September	52%
October - December	12%

Alterra operates the Toba Montrose facility in cooperation with Klahoose First Nation, Tla'amin Nation and Sechelt Indian Band (shíshálh Nation).

The operating results of Toba Montrose are shown below and reflect the Company's 40% interest:

	Three months ended September 30	
	2017	2016
Generation (MWh)	152,878	140,170
Revenue	13,510	11,852
Adjusted EBITDA	11,836	10,266

Generation increased against the comparative quarter due to stronger flows in the summer months which resulted in achievement of 100% of budget, in contrast to the comparative quarter which experienced unusually cool summer temperatures. Higher generation resulted in increased revenue and Adjusted EBITDA from the comparative quarter.

Dokie 1 wind farm, British Columbia, Canada

The Company operates and holds a 25.5% ownership interest in the 144 MW Dokie 1 project, which is held by Dokie GP and has been in operation since February 2011. The remaining 74.5% interest in the project is held by an investor consortium led by Axium. Dokie 1 is expected to generate a long-term average of 330,000 MWh of electricity annually.

Dokie 1 sells 100% of its electricity to BC Hydro under a 25-year PPA that expires in February 2036.

Dokie 1 is EcoLogo certified and receives funding under the ecoENERGY program of up to C$33.3 million during its first ten years of operations (until 2021), at a rate of C$10 per MWh. The Company anticipates the 10 year restraint will come into effect rather than the C$33.3 million cap.

Dokie 1's annual long term generation is projected to vary seasonally in the following proportions:

January - March	28%
April - June	20%
July - September	22%
October - December	30%

Alterra operates the Dokie 1 facility in cooperation with Halfway River First Nation, West Moberly First Nations, Saulteau First Nations, and McLeod Lake Indian Band.

In December 2016, Dokie GP extended its service contract with Vestas Wind Systems A/S ("Vestas") to provide operations and maintenance services at Dokie 1 through 2031.

The operating results of Dokie 1 are shown below and reflect the Company's 25.5% interest:

	Three months ended September 30	
	2017	2016
Generation (MWh)	20,063	15,441
Revenue	1,711	1,337
Adjusted EBITDA	1,205	765

Generation increased against the comparative quarter due to higher winds which resulted in an increase in revenue and Adjusted EBITDA.

Shannon wind farm, Clay County, Texas, USA

The Company operates and owns a 50% sponsor equity interest in the 204 MW Shannon project, with the remainder held by Starwood Energy Group Global, LLC ("Starwood"). The tax equity interest is held by affiliates of Citi and Berkshire Hathaway Energy.

Shannon is expected to generate a long-term average of 794,000 MWh of electricity annually and sells the majority of its power under a 13-year power hedge with Citi, which commenced on June 1, 2016.

Shannon's annual long term generation is projected in the following proportions:

January - March	26%
April - June	28%
July - September	20%
October - December	26%

One of the primary incentives for renewable energy in the United States has been the PTC program, whereby companies that generate electricity from renewable energy sources, including wind, are eligible for tax credits which provide a tax benefit for each unit of generation for the first ten years of the facility's operation (until 2025). Shannon is expected to generate approximately $19.1 million of tax credits annually.

The tax equity investors are allocated 99% of Shannon's PTCs and taxable income (losses) and a portion of the cash generated until they achieve an agreed after-tax investment return (the "Flip Point"). After the Flip Point, the tax equity investors will be allocated 5% of cash distributions and taxable income (losses), and the sponsors will be allocated 95% of all cash distributions and taxable income (losses). Due to exceptionally low winds at the project in certain portions of 2016 and 2017, there is currently a higher allocation of cash to the tax equity investors, which commenced in the first quarter of 2017. The cash allocations are based on a quarterly test measuring cumulative generation for the project since tax equity funding (December 14, 2015) with allocations to the sponsors and tax equity investors based on cumulative generation buckets. Should the project generate at budget going forward, a return to maximum cash allocation to the sponsors would occur in April 2020.

There is no project debt associated with Shannon, though the tax equity investors receive certain allocations of cash distributions, taxable income (losses) and tax credits.

The operating results of Shannon, shown below and elsewhere, reflect the Company's 50% share in sponsor equity:

	Three months ended September 30	
	2017	2016
Generation (MWh)	56,081	72,212
Revenue[(a)]	1,360	1,628
Adjusted EBITDA	369	190

(a) Here and elsewhere, Shannon revenue excludes power hedge accounting adjustments

Generation and revenue declined against the comparative quarter as a result of exceptionally low winds. Adjusted EBITDA increased due to additional one-time costs in the first full year of operations included in the comparative quarter.

Shannon generated approximately $2.7 million of PTCs during the quarter (comparative quarter: $3.3 million), which are 99% allocated to the tax equity investors.

Jimmie Creek hydroelectric facility, British Columbia, Canada

The Company owns 51% of the 62 MW Jimmie Creek project, in partnership with Axium. The project is located in close proximity to Toba Montrose and has a nameplate capacity of 62 MW and a projected annual output of 159,000 MWh. Construction was completed in 2016 on time and $4.0 million below budget. Commercial operation was achieved on August 1, 2016, at which time the project began selling 100% of its power under a 40-year PPA with BC Hydro.

In accordance with the Jimmie Creek LP partnership agreement with Axium, any unused construction funds are to be returned to the partners with the first C$6.0 million to Axium, the next C$6.0 million to the Company, and any remaining amounts to be allocated based on ownership percentage (51% the Company and 49% Axium). The total of estimated unused contingency funds to be returned to Axium is C$5.3 million, of which C$4.7 million has been distributed to date. In 2016, the Company recognized a $2.1 million reduction in its investment in Jimmie Creek LP as a result of this arrangement.

Jimmie Creek's generation is transmitted using excess capacity on the Toba Montrose transmission line that connects Toba Montrose to the BC Hydro substation at Saltery Bay. Jimmie Creek LP operates the project in partnership with Klahoose First Nation, Tla'amin Nation and the Sechelt Indian Band (shíshálh Nation).

Jimmie Creek's annual long-term generation is projected to vary seasonally in the following proportions:

January - March	1%
April - June	27%
July - September	64%
October - December	8%

The operating results of Jimmie Creek are shown below and reflect the Company's 51% interest:

	Three months ended September 30	
	2017	2016[(a)]
Generation (MWh)	56,948	33,043
Revenue	5,595	3,897
Adjusted EBITDA	5,112	3,580

(a) Jimmie Creek began commercial operations on August 1, 2016.

Jimmie Creek achieved 110% of plan (comparative stub quarter 106% of budget) as a result of higher than expected flows.

Kokomo solar project, Indiana, USA

The Company operates and owns a 90% sponsor equity interest in the 6 MW Kokomo project, with the remainder held by Inovateus and tax equity held by 1st Source.

On December 29, 2016, Kokomo commenced full commercial operations. The project sells 100% of its output under a 20-year PPA with Duke Energy Indiana, Inc.

In March 2017, the project achieved final completion and the Company's ownership was finalized at 90% (from 93.8% at December 31, 2016) following the receipt of the final tax equity payment of $0.2 million.

The operating results of Kokomo are shown below and reflect the Company's 90% interest:

	Three months ended September 30	
	2017	2016
Generation (MWh)	2,462	—
Revenue	200	—
Adjusted EBITDA	146	—

Generation for the current quarter was 90% of plan and operating costs were in line with plan.

Summary Comparative Results and Adjusted EBITDA

The following results represent the Company's net interest in generation, revenue, gross profit (loss), and Adjusted EBITDA:

For the three months ended September 30, 2017	HS Orka (53.9%)[(a)]	Toba Montrose (40%)	Dokie 1 (25.5%)	Shannon (50%)	Jimmie Creek (51%)	Kokomo (90%)	Development and head office	Net interest total	Consolidated Results
Generation (MWh)	139,118	152,878	20,063	56,081	56,948	2,462	—	427,550	242,779
Total revenue	9,748	13,510	1,711	1,360	5,595	200	—	32,124	16,842
Gross profit (loss)	615	11,193	916	(889)	4,765	76	—	16,676	1,255
Adjusted EBITDA	3,602	11,836	1,205	369	5,112	146	(1,509)	20,761	24,185

For the three months ended September 30, 2016	HS Orka (66.6%)	Toba Montrose (40%)	Dokie 1 (25.5%)	Shannon (50%)	Jimmie Creek (51%)	Development and head office	Net interest total	Consolidated Results
Generation (MWh)	180,159	140,170	15,441	72,212	33,043	—	441,025	270,509
Total revenue	9,391	11,852	1,337	1,628	3,897	—	28,105	14,100
Gross profit (loss)	1,516	9,693	472	(636)	3,388	—	14,433	2,323
Adjusted EBITDA	4,693	10,266	765	190	3,580	(483)	19,011	21,367

(a) The operating results for HS Orka reflect 66.6% ownership through July 27, 2017, and 53.9% ownership thereafter. For comparative purposes the adjusted results for HS Orka reflecting ownership at 66.6% for the full three months would have been generation of 161,691 MWh, revenue of $11.2 million, gross profit of $0.8 million and Adjusted EBITDA of $4.7 million.

ADVANCED CONSTRUCTION PROJECTS - INFORMATION, UPDATES AND OUTLOOK

USA

Flat Top wind project, Texas

On July 19, 2017 the Company and BlackRock entered into a partnership agreement with BlackRock acquiring a 49% equity interest in the Flat Top project, with Alterra retaining a 51% equity interest, and continuing to manage the project. On the same day, the Company completed a $287.2 million credit facility for the project. The facility was supplied by Citi, Santander, and the Royal Bank of Canada, and consists of a $216.7 million loan plus $70.5 million in letters of credit. The loan facility is expected to be retired by a $221.1 million tax equity investment from Berkshire Hathaway Energy and Citi (subject to typical conditions precedent). The tax equity funding will occur and the loan facility is expected to be retired on or near the commercial operations date in the first half of 2018. The Company does not expect to make any further equity contributions towards the construction of Flat Top, which is now being funded by the construction loan facility and equity contributions by BlackRock.

As part of the project development program, the Company performed certain on- and off-site construction activities in 2016, some of which were related to PTC qualification. Construction activities completed or underway to date include:

- Completion of access roads
- Excavation and concrete work for turbine foundations completed
- 50% of the turbines have been delivered and are beginning to be erected
- Construction of the site office and two batch plants is underway
- Construction of the maintenance building is completed
- Installation of the substation equipment is expected to be completed by the end of November
- The main power transformer has been installed
- Construction of the transmission line is 75% completed

The project is on schedule and is expected to achieve commercial operations in the first half of 2018.

Flat Top is being constructed under an agreement with Blattner Energy, Inc., a top-tier construction contractor with local area familiarity. Vestas is supplying 100 V110-2.0 MW wind turbines, which are part of the Vestas 2 MW turbine platform, one of the most well-proven turbines in the industry. A 10-year service and maintenance agreement has been signed with Vestas, which also provides services at Alterra's Dokie 1 wind farm. The project will sell the majority of its power under a 13-year power hedge with Citi commencing August 1, 2018.

Spartan solar project, Michigan

In June 2017, the Company acquired the Spartan project, an 11 MW solar project in East Lansing, Michigan, in conjunction with completing a partnership agreement with Inovateus under which it will co-own the project. On August 7, 2017, the Company secured a non-recourse project financing for the project, featuring a $19.8 million construction loan, which will be retired by a $10.2 million term loan and a $9.7 million tax equity investment provided by 1st Source, subject to typical conditions precedent. Upon completion of the project financing, the Company had contributed $7.9 million of development expenditures and received a return of excess equity of $4.5 million. The Company anticipates owning at least 85% of the project sponsor equity at term conversion. The project is located on the Michigan State University campus and will sell 100% of power generated under a 25 year PPA with Michigan State University. This is not considered a significant business combination.

On November 6, mechanical completion was achieved at the largest of five parking lots which shortly thereafter, resulted in the first installment of tax equity funding of $1.9 million which was used to partially repay the construction loan.

Construction for the project continues on schedule and on budget, with approximately 90% of overall construction complete. Commissioning and performance testing is expected to occur throughout November to early December. The project is expected to achieve commercial operations in December, at which point the 25 year PPA term will commence.

Brúarvirkjun hydroelectric project, Iceland

The 9.9 MW Brúarvirkjun hydroelectric project is 100% owned by HS Orka. The project has received its Environmental Impact Assessment ("EIA"), and obtained all necessary water rights, land contracts, exploration permits, development license and municipal approvals. Construction of site access roads and laydown areas were completed during the quarter and installation of site services including water and electrical supply are expected to be completed by the end of the year. The Company has completed the design of the intake, penstock and powerhouse, and received tenders for the turbine-generator and all other major contracts. The tendering process is expected to be finalized by the end of 2017. The project has been fully funded by the new HS Orka loan, and both the project and the loan are held in the Company's Icelandic subsidiary, HS Orka.

DEVELOPMENT PROJECTS - INFORMATION, UPDATES AND OUTLOOK

USA

Boswell Springs wind project, Wyoming

In April 2017, the Company acquired Boswell Springs, a 320 MW portfolio of wind development projects located in Albany County, Wyoming. The Company acquired Boswell Springs for cash consideration and transaction costs totaling $2.8 million. The Company expects the project to achieve commercial operations in 2020, selling 100% of its output under four 20-year PPAs with PacifiCorp. The Company commenced construction of the project's main power transformers in 2016 in anticipation of closing the acquisition in 2017, and the project is expected to qualify for PTCs at the full rate. The Company anticipates capital costs to be in-line with current industry standard for a project of this size and will be advancing the project in the normal course. During the quarter, the Company continued to advance various permitting, transmission and other development initiatives related to the project.

Jawbone wind project, California

In September 2017, the Company acquired the 40 MW Jawbone project, a wind development project located in Kern County, California that is fully zoned for wind-powered generation. The Company commenced construction of the project's main power transformer in 2016 in anticipation of acquiring the project, and expects the project to qualify for PTCs at the full rate. Early development work has commenced including the construction of meteorological towers.

Foard City wind project, Texas

The Company is advancing its wholly-owned Foard City wind project, a 350 MW greenfield wind project in Foard County, Texas. The project's main power transformer was purchased in 2016, and the Company expects the project to qualify for PTCs at the full rate. The Company is currently working to secure an offtake arrangement and continuing customary development activities.

Other USA development projects

During the period, the Company continued advancement of several other wind projects in its USA development portfolio (comprised of projects that are owned and projects subject to cooperation with other developers), including resource and transmission studies, meteorological tower procurement, submissions into offtake requests for proposals and other development activities.

In 2016, the Company also performed certain construction activities (on-site and off-site) intended to ensure that select projects will qualify for the full PTC. The estimated generation capacity for the qualifying projects is greater than 1,500 MW, including the Flat Top, Boswell Springs, Jawbone and Foard City projects (this total includes projects both fully owned by Alterra as well as projects owned by other wind developers with whom Alterra is working toward project acquisition or partnership). This number may increase or decrease over time dependent on many factors. Though it is unlikely that all of these projects will reach operations, Alterra is currently targeting 800 MW of completed projects by the end of 2020, including Flat Top, Boswell Springs, Foard City and Jawbone.

During the second quarter of 2017, the Company entered into new land leases to comprise a new wind project in Colorado totaling 250 MW of estimated generation capacity. The project is not currently qualified for PTCs.

Additionally, the Company holds the rights to develop a 40 MW solar project at the Soda Lake geothermal plant site.

Iceland

Reykjanes geothermal expansion project

The Company continues to assess a potential expansion of the Reykjanes plant from the current 100 MW of capacity to up to 180 MW through two planned and permitted expansions: Reykjanes 3 (50 MW) and Reykjanes 4 (30 MW). The expansion project received its operating permit in 2011, and the Company is currently performing further analysis on Reykjanes 4. Further work on expansion is subject to the results of field improvement efforts currently underway, together with results from the deep drilling project.

Other Iceland development projects

The Company's other development projects in Iceland include the Stóra Sandvík (near the Reykjanes power plant), Eldvörp, Krýsuvík-Sveifluháls, Krýsuvík-Austurengjar and Krýsuvík-Trölladyngja geothermal projects and the Búlandsvirkjun, Hvalá, Skúfnavatnavirkjun, Hvanneyrardalsvirkjun, Hestfjarðarvirkjun and Skötufjarðarvirkjun hydroelectric projects.

In 2017, HS Orka increased its ownership interest of VesturVerk ehf. ("VesturVerk") to 70.6% (from 66.6%) as a result of further payment of development expenses totaling $0.9 million. VesturVerk owns several early-stage hydroelectric development projects including the 55 MW Hvalá and 10 MW Skúfnavatnavirkjun projects, which received exploration permits from the National Energy Authority in May 2015. In 2016, the National Energy Authority in Iceland awarded exploration permits to VesturVerk for the Hvanneyrardalsvirkjun, Hestfjarðarvirkjun and Skötufjarðarvirkjun hydro projects, which have a total projected generation capacity of 35 MW. In April 2017, Hvalá received a positive ruling on the EIA from the National Planning Authority. HS Orka is currently assessing the conditions included in the EIA and will complete an updated feasibility study. Exploration on these projects is in progress.

During 2016, HS Orka obtained an extension of the construction permit for exploration drilling for the 30 MW Eldvörp geothermal project which is located near the Svartsengi plant. Construction of roads and new drill pad in the area are expected to commence in the fourth quarter of 2017.

HS Orka also owns 50% of the 155 MW Búlandsvirkjun early-stage hydroelectric development project. In 2016, the Icelandic Master Plan for Nature Protection and Energy Utilization Steering Committee submitted a proposal to classify Búlandsvirkjun as a protected area, and if this change is approved by the Icelandic parliament, the Company will not invest in any further research in the area since the utilization and operating permit could not be issued under this classification. Management has contested the proposal. There has been limited spend since the proposal was submitted. As at September 30, 2017 the Company has an investment in the project of $2.3 million.

Other than as specified above, the Company has not made any material expenditures on these projects during the quarter.

Chile

Under the terms of a 2013 joint venture agreement, Energy Development Corporation ("EDC") holds a 70% interest in the Mariposa geothermal project (320 MW inferred capacity) and is responsible for funding 100% of the next $58.3 million in project expenditures to further advance the project. Development work continued during the quarter, and over $38.0 million had been funded as of September 30, 2017. After completion of initial funding, project equity contributions and economic sharing will occur on a pro rata basis between the partners. The Company accounts for the project as an equity investment.

The joint venture will resume the drilling program, which was previously postponed in 2015, when certain development conditions are met. Significant site infrastructure (roads, water supply, camps) has been completed and will remain in place to support the rescheduled drill program.

Italy

In 2011, the Company was awarded the Mensano and Roccastrada geothermal concessions, located near the historic Larderello geothermal field that has generated electricity for nearly 100 years in the Tuscany region of Italy.

The Company holds a 45% interest in a joint venture with an affiliate of Graziella Green Power ("Graziella"). The joint venture is currently advancing the Mensano and Roccastrada geothermal concessions as well as a geothermal pilot project (Castelnuovo) near the Mensano concession. Graziella is currently funding all development activities under the joint venture. Current development activities included seismic analysis and certain project permitting activities.

During 2017, Graziella completed the $3.6 million required contribution towards development of the projects that substantiated their 55% ownership interest. Should the Company choose not to invest further in the projects, the Company's ownership percentage in the Graziella partnership will be diluted.

British Columbia, Canada

The Company has rights to 39 run of river hydroelectric power projects in British Columbia as well as certain early-stage wind projects, all discussed below, primarily in the southwestern region of the province.

<u>Bute Inlet project</u>

The Bute Inlet development project consists of 17 run of river projects organized into three interconnected groups with an estimated potential average annual generation of 2.8 million MWh.

The Company formally withdrew the project from the environment impact assessment process in 2016, but maintains all existing permits and licenses in good standing. The Company has completed hydrology studies for the project and hopes to further development of the project in the future when market outlook improves.

Other hydroelectric development projects

The Company holds water rights for other run of river hydroelectric power projects in British Columbia with a combined potential annual generation of approximately 2.2 million MWh. The Company also holds a British Columbia Crown land tenure and an accepted water license application for the 1,000 MW Fir Point pumped storage project.

In 2015, the Company signed a memorandum of understanding with Klahoose First Nation to jointly develop the 15 MW Tahumming hydroelectric project, which is in the Toba Valley near the Toba Montrose and Jimmie Creek projects. The Company submitted an application for a water license and land tenure for the project in June 2016 and is working with Provincial agencies to advance the permit application with the target of receiving the required permits in the first quarter of 2018 and submitting the project into BC Hydro's Standing Offer Program ("SOP") for small projects.

In August 2016, BC Hydro announced that the SOP had reached its capacity for projects with commercial operation dates up to and including 2019, and that it will be revising the program for projects with commercial operation dates beyond 2019. The Company will evaluate any changes made to the SOP and subsequently determine whether to submit the Tahumming project into the program. At September 30, 2017 the Company has an investment in the project of $1.3 million.

On October 20, 2015, the Company announced that it had agreed to acquire the water rights for four hydroelectric development projects from Sigma Engineering (the South Toba projects: Chusan, Powell, Eldred North and Eldred South). The projects are located approximately 20-30 kilometers from Alterra's existing Toba Montrose and Jimmie Creek projects, and are situated along the Toba Montrose transmission line. Each project is expected to have between 10-15 MW of generation capacity, and could be eligible for PPAs under the SOP. The transfer of the water license applications was completed in May 2016, which allows the Company to proceed with engineering, environmental and hydrology studies in order to prioritize the projects for future development.

The Company is currently maintaining all of its hydroelectric projects in British Columbia in good standing for future development opportunities.

Dokie 2 wind project

The Company holds a 51% interest in a wind generation project adjacent to Dokie 1 ("Dokie 2") with a projected capacity of up to 156 MW. During 2015, the Company received notice from its project partner, an affiliate of GE Energy Financial Services ("GE EFS"), that it does not intend to proceed with advancement of Dokie 2. The Company expects to complete an agreement with GE EFS to transfer its 49% ownership interest in Dokie 2 to the Company for nominal consideration.

In 2014, the Company wrote off the deferred costs and goodwill associated with the Dokie 2 project due to a decline in the outlook for new renewable power plants in British Columbia. The Company has maintained all existing permits and licenses in good standing and may look to further develop the project in the future when market outlook improves. The Company had no material expenses related to Dokie 2 in the current quarter.

Coastal wind projects

The Company holds exclusive investigative licenses for wind development projects at several coastal locations in British Columbia including Banks Island, Porcher Island, McCauley Island and Knob Hill. Meteorological towers are installed at four locations. There have been no material expenditures during the quarter. Development activities in the current quarter consisted of ongoing wind resource monitoring.

SUMMARY OF QUARTERLY RESULTS

Seasonality has an impact on the Company's quarterly operating results. HS Orka supplies a lower demand for electricity and heating in the summer months in Iceland, Dokie 1 wind farm production levels are higher in the winter months, Kokomo production levels are higher in the summer months, and most prominently, the Toba Montrose and Jimmie Creek hydro facilities' production levels are higher in the summer months due to spring freshet and glacier melt.

In addition, the Company has a number of financial derivatives with mark-to-market valuations that can fluctuate significantly from quarter to quarter. These fluctuations are non-cash in nature and are summarized below.

The following table summarizes information regarding the Company's operations on a quarterly basis for the last eight quarters.

	Three months ended			
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Revenue	$ 16,842	$ 17,163	$ 18,196	$ 18,010
Gross profit	1,255	2,714	3,343	2,224
Other income (expense)	52,258	(4,443)	(265)	(10,122)
Income tax expense	(1,864)	(1,028)	(3,370)	(4,977)
Net income (loss)	51,649	(2,757)	(292)	(12,875)
Net income (loss) attributable to owners of the Company	46,271	(4,879)	(5,458)	(14,659)
Earnings (loss) per share attributable to owners of the Company (basic and diluted)	0.79	(0.08)	(0.09)	(0.30)

	Three months ended			
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Revenue	$ 14,100	$ 13,797	$ 14,930	$ 15,680
Gross profit	2,323	3,591	3,854	4,333
Other income (expense)	10,684	1,376	(4,795)	(15,224)
Income tax recovery (expense)	(2,598)	(1,578)	(1,088)	713
Net income (loss)	10,409	3,389	(2,029)	(10,178)
Net income (loss) attributable to owners of the Company	5,563	922	(3,773)	(8,023)
Earnings (loss) per share attributable to owners of the Company (basic and diluted)	0.12	0.02	(0.08)	(0.17)

REVIEW OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

The Company recorded net income of $51.6 million ($10.4 million in the comparative quarter), with quarterly variances primarily related to "other income (expenses)" items discussed below.

Net income attributable to the owners of the Company was $46.3 million versus $5.6 million for the comparative quarter (net income of $0.79 and $0.12 per common share for each quarter, respectively).

Gross profit from operations

Consolidated gross profit from operations was $1.3 million versus $2.3 million in the comparative quarter, as follows:

<u>Revenue</u>

Consolidated revenue increased to $16.8 million versus $14.1 million for the comparative quarter, from HS Orka operations (Reykjanes and Svartsengi) which are 100% consolidated (ownership was 66.6% through July 27, 2017 and 53.9% thereafter). The increase in the current quarter is due to foreign exchange, increased third party retail sales and higher aluminum prices.

The Company's share of revenue from Toba Montrose, Dokie 1, Shannon, Jimmie Creek, and Kokomo (recorded as equity income) was as follows:

- Toba Montrose - $13.5 million (comparative quarter: $11.9 million). Revenue increased as a result of higher generation quarter on quarter.
- Dokie 1 - $1.7 million (comparative quarter: $1.3 million). Revenue increased as a result of higher generation due to stronger winds, with generation at 109% of plan.
- Shannon - $1.4 million (comparative quarter: $1.6 million). Revenue decreased as a result of lower generation due to lower winds.
- Jimmie Creek - $5.6 million (comparative quarter: $3.9 million). Generation was 110% of plan for the quarter (comparative quarter only shows results from commencement of operations on August 1, 2016).
- Kokomo - $0.2 million (comparative quarter: $nil). Kokomo commenced operations on December 29, 2016 and generation was at 90% of plan for the quarter.

<u>Cost of sales</u>

Consolidated cost of sales totaled $15.6 million (compared to $11.8 million in the comparative quarter) from HS Orka's operations. Cost of sales increased predominantly due an increase in power purchases, higher maintenance costs at Reykjanes and unfavourable foreign exchange movements.

The Company's share of cost of sales (including depreciation and amortization) for Toba Montrose, Dokie 1, Shannon, Jimmie Creek, and Kokomo was as follows:

- Toba Montrose - $2.3 million (comparative quarter: $2.2 million). Operating costs increased against the comparative quarter due to foreign exchange.
- Dokie 1 - $0.8 million (comparative quarter: $0.9 million). Operating costs decreased due to cost savings as a result of the renegotiated operations and maintenance contract in December 2016.
- Shannon - $2.2 million (comparative quarter: $2.2 million).
- Jimmie Creek - $0.8 million (comparative quarter: $0.5 million). Jimmie Creek commenced operations on August 1, 2016 and operating costs during the current quarter were in line with budget.
- Kokomo - $0.1 million (comparative quarter: $nil). Costs during the current quarter were in line with budget.

Other income (expenses)

Total other income (expenses) resulted in a net gain of $52.3 million (comparative quarter: $10.7 million net gain), reflecting the changes below:

- A $22.3 million gain resulting from the sale of 49% of Flat Top's equity interest.
- A $3.4 million foreign exchange gain as a result of favorable movements in exchange rates (comparative quarter: $1.4 million loss).
- An $11.9 million non-cash gain due to higher future aluminum prices and foreign exchange affecting the value of the embedded derivatives related to two PPAs (comparative quarter: $9.4 million non-cash gain).
- A $2.4 million non-cash gain resulting from recognition of a $4.4 million gain from the revaluation of the Reykjanesbær bond prior to settlement partially offset by the interest rate changes and higher aluminum prices affecting the fair value of the holding company bonds (Sweden) (comparative quarter: $1.9 million non-cash loss).
- A $5.0 million gain in other income (loss) primarily related the settlement of the accrued interest on the Reykjanesbær bond and a gain on the Flat Top power hedge (comparative quarter: $2.4 million loss).
- General and administrative expenses remained consistent with the comparative quarter at $2.7 million (comparative quarter: $2.8 million).
- The Company's share of income from equity investments was $14.0 million (comparative quarter: $13.4 million) as follows:

Share of equity income (loss)	For the three months ended September 30, 2017	2016
Toba Montrose GP	$ 8,532	$ 7,070
Dokie GP	264	(155)
Shannon Group LLC	(1,505)	234
Jimmie Creek LP	3,289	2,624
Kokomo LLC	(2)	—
Flat Top LLC	4	—
Blue Lagoon	3,483	3,654
Construction and development projects	(35)	3
Total equity income	$ 14,030	$ 13,430

The increase in equity income is largely due to increased generation at Toba Montrose and Dokie 1 against the comparative quarter, as well as inclusion of Jimmie Creek generation for the full quarter (Jimmie Creek began operations on August 1, 2016). This was offset by decreased generation at Shannon as a result of lower winds.

- Finance income remained consistent at $0.2 million.
- Finance costs increased to $4.1 million (comparative quarter: $2.9 million) primarily due to increased interest rates related to the 2016 refinancings of the holding company bonds (Sweden), and the expansion of the North American holding company loan facility (offsetting lower rates on that facility).

REVIEW OF RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

The Company recorded net income of $48.6 million ($11.8 million in the comparative period), with fluctuations period on period primarily due to changes in "other income (expenses)" items discussed below.

Net income attributable to the owners of the Company was $35.9 million versus $2.7 million for the comparative period (net income of $0.62 and $0.06 per common share for each period, respectively).

Gross profit from operations

Consolidated gross profit from operations was $7.3 million versus $9.8 million in the comparative period, as follows:

Revenue

Consolidated revenue increased to $52.2 million versus $42.8 million for the comparative period from HS Orka operations (Reykjanes and Svartsengi) which are 100% consolidated (ownership was 66.6% through July 27, 2017 and 53.9% thereafter). The increase in the current period is due to increased third party retail sales, higher aluminum prices, and foreign exchange.

The Company's share of revenue from Toba Montrose, Dokie 1, Shannon, Jimmie Creek, and Kokomo (recorded as equity income) was as follows:

- Toba Montrose - $20.1 million (comparative period: $19.6 million). Revenue increased as a result of strengthening of the Canadian dollar, offsetting a decrease in generation.
- Dokie 1 - $4.6 million (comparative period: $4.5 million). Revenue increased as a result of higher generation and strengthening of the Canadian dollar.
- Shannon - $5.2 million (comparative period: $4.0 million). Revenue increased due to improved pricing under the power hedge compared to merchant pricing in the comparative period.
- Jimmie Creek - $7.2 million (comparative period: $3.9 million). Jimmie Creek commenced operations on August 1, 2016 and generation was at 114% of plan during the current period.
- Kokomo - $0.5 million (comparative period: $nil). Kokomo commenced operations on December 29, 2016 and generation was 89% of plan during the current period.

Cost of sales

Consolidated cost of sales totaled $44.9 million (compared to $33.1 million in the comparative period) from HS Orka's operations. Cost of sales increased predominantly due to an increase in power purchases, higher maintenance costs at Reykjanes and unfavourable foreign exchange rate movements.

The Company's share of cost of sales (including depreciation and amortization) for Toba Montrose, Dokie 1, Shannon, Jimmie Creek, and Kokomo was as follows:

- Toba Montrose - $5.3 million (comparative period: $5.4 million). Operating costs decreased due to timing of non-recurring project and maintenance work.
- Dokie 1 - $2.2 million (comparative period: $2.5 million). Operating costs decreased due to cost savings as a result of the renegotiated operations and maintenance contract in December 2016.
- Shannon - $6.6 million (comparative period: $6.6 million).

- Jimmie Creek - $2.4 million (comparative period: $0.5 million). Operating costs during the current period were in line with budget.
- Kokomo - $0.4 million (comparative period: $nil). Costs during the current period were in line with budget.

Other income (expenses)

Total other income (expenses) resulted in a net gain of $47.6 million (comparative period: $7.3 million gain), reflecting the changes below:

- A $22.3 million gain resulting from sale of 49% of Flat Top's equity interest.

  A $1.8 million foreign exchange gain as a result of favorable movements in exchange rates (comparative period: $1.5 million gain).
- A $29.9 million non-cash gain resulting from higher future aluminum prices and foreign exchange affecting the fair value of embedded derivatives related to two aluminum-linked PPAs (comparative period: $18.5 million gain).
- A $4.6 million non-cash loss resulting from higher aluminum prices and interest rate movements affecting the fair value of the Sweden holding company bonds partially off-set by the $4.4 million gain from the revaluation of the Reykjanesbær bond prior to settlement (comparative period: $6.7 million loss).
- A $3.3 million gain in other income (loss) primarily related to the gain on the Flat Top power hedge and the settlement of the accrued interest on the Reykjanesbær bond partially off-set by the revaluation of the contingent liability at Flat Top (comparative period: $2.8 million loss).
- General and administrative expenses decreased $0.4 million to $8.2 million as a result of legal fees associated with the HS Orka arbitration in the comparative period, partially offset by foreign exchange (comparative period: $8.6 million).
- General development costs decreased to $1.3 million (comparative period: $2.2 million) predominantly due to the ending of primary activities related to the deep drilling program at HS Orka in the current period.
- The Company's share of income from equity investments was $16.5 million (comparative period: $16.0 million) as follows:

	For the nine months ended September 30,	
Share of equity income (loss)	**2017**	**2016**
Toba Montrose GP	$ 7,648	$ 6,340
Dokie GP	525	152
Shannon Group LLC	(513)	1,267
Jimmie Creek LP	1,349	2,489
Kokomo LLC	(6)	—
Flat Top	4	—
Blue Lagoon	7,613	5,855
Construction and development projects	(133)	(85)
Total equity income	$ 16,487	$ 16,018

The increase in equity income is largely due to increased generation at Dokie 1, as well as improved results at the Blue Lagoon and Toba Montrose, partially offset by decreases at Jimmie

Creek (due to losses incurred during the first half of the year as a result of seasonality of generation) and lower generation at Shannon.

- Finance income remained consistent at $0.6 million (comparative period: $0.5 million).
- Finance costs increased to $12.7 million (comparative period: $8.9 million) primarily due to increased interest rates resulting from the 2016 refinancings of the holding company bonds (Sweden).

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2017, the Company had consolidated cash and cash equivalents ("Cash") of $14.0 million (December 31, 2016: $31.6 million). The decrease in Cash primarily reflects the significant development and construction activities undertaken by the Company during the period.

Cash consist of cash and call deposits that are redeemable prior to maturity on demand and without economic penalty to the Company. The Company's exposure to credit risk on its cash and call deposits is limited by maintaining the majority of its cash and call deposits with major banks with high credit ratings. Other than at HS Orka, a minimal amount of Cash are held in the countries where the Company's subsidiaries operate to fund their operating needs.

At September 30, 2017, the Company had restricted cash of $0.1 million (December 31, 2016: $4.6 million). In September, the $4.5 million of restricted cash held at HS Orka was released as a result of the retirement of the previously outstanding loans. Excluding HS Orka and the Cash held at the equity-accounted investees, the Company had Cash of $8.0 million at September 30, 2017 (December 31, 2016: $31.3 million). At September 30, 2017, HS Orka had Cash of $6.1 million.

Working capital is defined as current assets minus current liabilities. Working capital calculations or changes are not measures of financial performance, nor do they have standardized meanings under IFRS. Readers are cautioned that this calculation may differ among companies and analysts and therefore may not be directly comparable. At September 30, 2017, the Company has a consolidated working capital deficit of $51.3 million (December 31, 2016: $62.3 million). Excluding HS Orka, the Company's consolidated working capital deficit at September 30, 2017 is $35.0 million, resulting primarily from one of the holding company bonds (Sweden) valued at $38.2 million being classified as current at September 30, 2017.

During the quarter, the Company received distributions from Toba Montrose GP (C$6.8 million) and Dokie GP (C$0.4 million), which are expected to be used to fund working capital needs and development expenditures. Subsequent to the quarter, the Company received its first equity distribution from Jimmie Creek (C$1.6 million). The Company has access to a revolving credit facility with the Company's Chairman of C$20.0 million (with a current maturity of March 31, 2018). There is currently C$5.5 million outstanding on the credit facility.

On September 15, 2017, HS Orka executed a $133.2 million loan (€112.0 million), provided by Arion Bank hf. Subsequent to the quarter the facility was revised down to $119.4 million. The loan carries an initial term of five years with options to extend the term up to 18 years. The loan will fund in tranches upon the fulfillment of certain conditions precedent. Primary uses of loan proceeds include construction of the Brúarvirkjun project, drilling and other field development activities at Reykjanes, and the retirement of HS Orka's previously outstanding loans. The first loan funding was received in September, 2017 resulting in the full retirement of $48.8 million of HS Orka's previously outstanding loans with high annual amortization. The new loan's 18-year amortization frees up significant cash flow for the Company. Subsequent to the quarter an additional $8.9 million was funded and used in part to repay a portion of the short-term credit facility (which had been used to fund development work at HS Orka).

On July 19, 2017, the Company completed a $21.1 million expansion to its holding company loan with affiliates of AMP Capital Investors Limited and a maturity date consistent with the other two tranches (February 5, 2023). The proceeds funded a portion of Alterra's equity contribution for Flat Top, as well as $3.1 million for corporate working capital. The interest rate for the new tranche is LIBOR plus 5.75% and in conjunction with the loan expansion, the interest rate for the previously existing tranches of the facility was reduced from CDOR plus 6.5% to CDOR plus 5.75%. The Company also agreed to certain prepayment penalties should the Company elect to repay the holding company loan prior to July 2020.

Management believes that its working capital and liquidity strategies are sufficient to fund non-discretionary expenditures over the near term.

Debt

The Company's consolidated long-term debt is as follows:

		September 30, 2017
Holding company bonds (Sweden)	$	73,234
Revolving credit agreement		4,407
Holding company loan facility (North America)		90,383
HS Orka loans and short-term credit facility		59,434
		227,458
Less current portion:		
Holding company bonds (Sweden)		38,153
Revolving credit agreement		4,407
HS Orka loans and short-term credit facility		12,399
		54,959
Long-term portion	$	172,499

The current portion of the holding company bonds (Sweden) is comprised of the Orkuveita Reykjavíkur bond, which matures in April 2018. The Company expects to refinance this bond prior to the maturity date. Specifically, on delisting of the Company's shares, which is expected following closing of the Innergex Transaction, the bond immediately becomes payable and is expected to be settled in full. If the Company is unsuccessful in closing the Innergex Transaction or with a refinancing, the bondholder could foreclose on the collateral (17% ownership stake in HS Orka). The Company believes this outcome is highly unlikely.

On July 27, the Company's subsidiary Magma Energy Sweden settled and extinguished the $70.8 million liability associated with the Reykjanesbær bond. Under the settlement , the Company also delivered the bond collateral (a 12.7% ownership stake in HS Orka) to the bondholder Fagfjárfestasjóðurinn ORK. At that time the Company's economic interest in HS Orka decreased from 66.6% to 53.9%. In October, following the completion of certain conditions precedent, legal title of the 12.7% HS Orka ownership stake was transferred to the bondholder. The Company continues to manage HS Orka and consolidate its financial results.

The long-term debt of Toba Montrose GP, Dokie GP, Jimmie Creek LP and Kokomo LLC is not consolidated by the Company as the Company's investments at these projects are recorded as equity investments. The Company's 40% share of Toba Montrose GP's long term-debt is $141.8 million, which matures in 2045, and the Company's 25.5% share of Dokie GP's long-term debt is $31.1 million, which matures in 2030. The Company's 51% share of Jimmie Creek LP's long-term debt is $68.5 million, which has annual principal repayments starting in 2017 until 2056. The Company's 90% share of Kokomo LLC's long term debt is $4.1 million. The Company's 51% share of the Flat Top construction loan is $28.4 million (representing the Company's share of the $49.7 million drawn as of September 30, 2017 net of financing fees, from the $216.7 million facility). The Company also has a 100% share of the $10.9 million Spartan construction loan classified as held for sale at September 30, 2017.

The holding company loan facility (North America), holding company bonds (Sweden), Spartan construction loan, Flat Top construction loan and the loans at HS Orka, Toba Montrose GP, Dokie GP, Jimmie Creek LP and Kokomo LLC are non-recourse to the Company other than the remaining portion of the Company's investment in these entities or instruments, which may not be fully recovered in the event of a default. HS Orka and all project companies are expected to generate sufficient cash flow to service and repay their existing long-term loans. The holding company bonds (Sweden) are serviced by dividends from HS Orka and the Company's cash flow, and the holding company loan facility (North America) is serviced by distributions from the Toba Montrose, Dokie 1, Jimmie Creek and Flat Top projects. The construction loans at Flat Top and Spartan are expected to be retired upon tax equity funding.

There is no project debt associated with Shannon. However, the Shannon tax equity investors receive specified allocations of cash distributions, taxable income (losses) and tax credits as described earlier.

USA sponsor equity guaranties

Tax equity investors in USA projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investments at Shannon, Kokomo, Spartan and Flat Top, the Company has executed or will execute guaranties effective on funding of the tax equity investment indemnifying the tax equity investors against certain breaches of project level representations, warranties and covenants and other events. The Company believes these indemnifications cover matters which are substantially under the Company's control, and are very unlikely to occur.

TRANSACTIONS WITH RELATED PARTIES

The Company holds a revolving credit facility with the Company's Chairman that has a borrowing amount of C$20.0 million and a maturity of March 31, 2018.

As at September 30, 2017, the Company had borrowed $4.4 million (December 31, 2016: no amounts outstanding) under the facility. The Company has paid C$0.3 million in interest and fees for the nine months ending September 30, 2017 (C$0.4 million for the nine months ending September 30, 2016).

Included in the holding company bonds (Sweden) long-term debt balance is $35.1 million (December 31, 2016 - $35.0 million) related to a bond issued to the Company's Chairman.

USE OF PROCEEDS FROM EQUITY FINANCINGS

On October 26, 2016, the Company completed a bought deal offering through a syndicate of underwriters and a concurrent private placement for aggregate gross proceeds of C$67.9 million. Under the bought deal and concurrent private placement, the Company issued 11,322,463 common shares at a price of C$6.00 per share.

The Company's short form prospectus, dated October 19, 2016, contained certain disclosures in respect of Alterra's intended use of the proceeds from the equity financings as of such date. As disclosed in that prospectus, Alterra planned to use the proceeds to further advance the Flat Top wind project, retire outstanding amounts under the revolving credit facility, fund early-stage construction activities and for general corporate purposes.

For a summary of the actual use of proceeds (which are now spent in full) against the anticipated uses see the "Use of Proceeds from Equity Financings" set forth in our Management's Discussion and Analysis for the six months ended June 30, 2017, as there have been no changes since then.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet financial arrangements.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting during the current quarter that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. Future changes to internal controls over financial reporting may be deemed to constitute a material modification (either individually or when considered collectively), and any material changes to internal controls over financial reporting will be disclosed as they occur.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. The Company's management is not aware of any misstatements due to error or fraud.

DISCLOSURE OF OUTSTANDING SHARE DATA

At November 9, 2017 the Company had the following common shares and stock options outstanding:

Common shares	58,307,012
Stock options (vested and unvested)	1,817,552
Total	**60,124,564**

Net Interest

"Net Interest" means the effective portion of operating results that the Company would have reported if each of HS Orka (66.6% through July 27, 2017 and 53.9% thereafter), Toba Montrose GP (40%), Jimmie Creek LP (51%), Dokie GP (25.5%), Shannon Group LLC (50% sponsor equity interest), and Kokomo LLC (90% sponsor equity interest) had been reported in accordance with the Company's actual share ownership for the current and comparative quarter, as opposed to consolidating 100% of HS Orka (with an allocation to non-controlling interest), and equity accounting for Toba Montrose GP, Jimmie Creek LP, Dokie GP, Shannon Group LLC, and Kokomo LLC.

Adjusted EBITDA

Adjusted EBITDA is defined by the Company as earnings before interest, taxes, foreign exchange, depreciation and amortization, as well as adjustments for changes in the fair value of holding company bonds (Sweden) and derivatives, write-offs of development costs, other income (expense) except business interruption insurance proceeds, amortization of below market contracts, value assigned to options granted, share of results of equity investments, the Company's proportionate interest in Adjusted EBITDA of its equity investments, research and development costs for deep drilling program and non-recurring items (insurance deductibles, litigation and arbitration costs). Adjusted EBITDA has been calculated on a consistent basis with the comparative quarter. The Company discloses Adjusted EBITDA as it is a measure used by some analysts and management to evaluate the Company's performance. As Adjusted EBITDA is a non-IFRS measure, it may not be comparable to Adjusted EBITDA calculated by others. In addition, Adjusted EBITDA is not a substitute for net earnings. Readers should consider net earnings in evaluating the Company's performance. Readers should also consider the risks and assumptions in estimates of Adjusted EBITDA discussed under the heading "Cautionary Note Regarding Forward-Looking Statements".

The following reconciles consolidated income for the three months ended September 30, 2017 and 2016 to Adjusted EBITDA:

	Quarter ended September 30, 2017
Income for the quarter	$ 51,649
Adjustments:	
Income tax expense	1,864
Share of results of equity investments	(14,030)
Share of Adjusted EBITDA of equity investments	22,119
Change in the fair value bonds payable	(2,440)
Change in the fair value of derivatives	(11,876)
Foreign exchange gain	(3,441)
Other income	(4,991)
Gain on partial sale of Flat Top	(22,282)
Finance costs	4,077
Finance income	(159)
Amortization of below market contracts	(512)
Amortization, depreciation, depletion and accretion	3,960
Stock based compensation	160
Research and development costs for deep drilling program	87
Adjusted EBITDA	$ 24,185

	Quarter ended September 30, 2016
Income for the quarter	$ 10,409
Adjustments:	
Income tax expense	2,598
Share of results of equity investments	(13,430)
Share of Adjusted EBITDA of equity investments	18,460
Change in the fair value bonds payable	1,934
Change in the fair value of derivatives	(9,449)
Foreign exchange loss	1,439
Other losses	2,397
Finance costs	2,915
Finance income	(157)
Amortization of below market contracts	(458)
Amortization, depreciation, depletion and accretion	3,337
Stock based compensation	145
Research and development costs for deep drilling program	840
Other non-recurring items	387
Adjusted EBITDA	$ 21,367

The following reconciles net interest income (loss) for the three months ended September 30, 2017 and 2016 to net interest Adjusted EBITDA:

Three months ended September 30, 2017	HS Orka	Toba Montrose	Dokie 1	Shannon	Jimmie Creek	Kokomo	Development and head office	Total net Interest
Income (loss) for the quarter before income tax	$ 7,178	$ 8,532	$ 264	$ (1,505)	$ 3,289	$ (2)	$ 39,975	$ 57,731
Adjustments:								
Share of results of equity investments	(1,877)	—	—	1,501	—	(2)	(10,548)	(10,926)
Share of Adjusted EBITDA of equity investments	1,877	—	—	373	—	150	(31)	2,369
Change in the fair value bonds payable	—	—	—	—	—	—	(2,440)	(2,440)
Change in the fair value of derivatives	(6,533)	—	—	—	—	—	—	(6,533)
Foreign exchange loss (gain)	638	—	—	—	—	—	(4,560)	(3,922)
Other loss (income)	137	—	—	—	312	—	(5,246)	(4,797)
Gain on debt extinguishment	—	—	—	—	—	—	—	—
Gain on partial sale of Flat Top	—	—	—	—	—	—	(22,282)	(22,282)
Finance costs	371	2,264	529	—	983	—	3,446	7,593
Finance income	(81)	(7)	(2)	—	—	—	(20)	(110)
Amortization of below market contracts	(297)	—	—	—	—	—	—	(297)
Amortization, depreciation, depletion and accretion	2,110	1,047	414	—	528	—	37	4,136
Stock based compensation	—	—	—	—	—	—	160	160
Research and development costs for deep drilling program	79	—	—	—	—	—	—	79
Adjusted EBITDA	$ 3,602	$ 11,836	$ 1,205	$ 369	$ 5,112	$ 146	$ (1,509)	$ 20,761

Three months ended September 30, 2016	HS Orka	Toba Montrose	Dokie 1	Shannon	Jimmie Creek	Development and head office	Total net Interest
Income (loss) for the quarter before income tax	$ 10,882	$ 7,070	$ (155)	$ 234	$ 2,624	$ (3,332)	$ 17,323
Adjustments:							
Share of results of equity investments	(2,520)	—	—	(235)	—	(9,645)	(12,400)
Share of Adjusted EBITDA of equity investments	2,520	—	—	191	—	(127)	2,584
Change in the fair value bonds payable	—	—	—	—	—	1,934	1,934
Change in the fair value of derivatives	(6,293)	—	—	—	—	—	(6,293)
Foreign exchange gain	(2,492)	—	—	—	—	5,180	2,688
Other income	(45)	—	—	—	—	2,464	2,419
Finance costs	239	2,214	524	—	631	2,556	6,164
Finance income	(95)	(6)	(2)	—	—	(14)	(117)
Amortization of below market contracts	(305)	—	—	—	—	—	(305)
Amortization, depreciation, depletion and accretion	2,222	988	398	—	325	—	3,933
Stock based compensation	—	—	—	—	—	145	145
Research and development costs for deep drilling program	559	—	—	—	—	—	559
Other non-recurring items	21	—	—	—	—	356	377
Adjusted EBITDA	$ 4,693	$ 10,266	$ 765	$ 190	$ 3,580	$ (483)	$ 19,011

Share of net income in equity investments - Three months ended September 30, 2017

	Toba Montrose	Dokie 1	Shannon	Jimmie Creek	Kokomo	Total
Revenue	$ 33,776	$ 6,711	$ 2,720	$ 10,970	$ 222	$ 54,399
Cost of sales	(3,175)	(1,495)	(1,268)	(592)	(21)	(6,551)
Depreciation and amortization	(2,618)	(1,623)	(3,229)	(1,034)	(117)	(8,621)
Interest expense	(5,660)	(2,075)	—	(1,927)	(76)	(9,738)
Other income (expense)	(994)	(484)	(1,160)	(966)	(35)	(3,639)
Net income (loss)	21,329	1,034	(2,937)	6,451	(27)	25,850
% net interest	40%	25.5%	50%	51%	90%	
Share of net income (loss)	$ 8,532	$ 264	$ (1,469)	$ 3,289	$ (24)	$ 10,592
Other comprehensive income (loss)	3,115	—	17,141	—	3	20,259
Share of other comprehensive income (loss)	1,246	—	8,570	—	3	9,819
Share of net income (loss) and comprehensive income (loss)[a]	$ 9,778	$ 264	$ 7,101	$ 3,289	$ (21)	$ 20,411

(a) The Company's share of net income (loss) and comprehensive income (loss) for Shannon and Kokomo is calculated using HLBV method of accounting, which results in the Company recording equity income (loss) of ($1,505,000) and ($2,000) for Shannon and Kokomo respectively.

Share of net income in equity investments - Nine months ended September 30, 2017

	Toba Montrose	Dokie 1	Shannon	Jimmie Creek	Kokomo	Total
Revenue	$ 50,201	$ 18,140	$ 10,388	$ 14,135	$ 569	$ 93,433
Cost of sales	(5,833)	(4,109)	(3,368)	(1,812)	(57)	(15,179)
Depreciation and amortization	(7,525)	(4,672)	(9,746)	(2,978)	(346)	(25,267)
Interest expense	(14,662)	(6,009)	—	(5,546)	(226)	(26,443)
Other income (expense)	(3,061)	(1,292)	(2,639)	(1,153)	(102)	(8,247)
Net income (loss)	19,120	2,058	(5,365)	2,646	(162)	18,297
% net interest	40%	25.5%	50%	50.99%	90%	
Share of net income (loss)	$ 7,648	$ 525	$ (2,683)	$ 1,349	$ (146)	$ 6,693
Other comprehensive income (loss)	3,171	—	25,006	—	(27)	28,150
Share of other comprehensive income (loss)	1,268	—	12,503	—	(24)	13,747
Share of net income (loss) and comprehensive income (loss)[(a)]	$ 8,916	$ 525	$ 9,820	$ 1,349	$ (170)	$ 20,440

(a) The Company's share of net income (loss) and comprehensive income (loss) for Shannon and Kokomo is calculated using HLBV method of accounting, which results in the Company recording equity income (loss) of $513,000 and ($6,000) for Shannon and Kokomo respectively.

Net interest financial position - September 30, 2017

	HS Orka	Toba Montrose	Dokie 1	Shannon	Jimmie Creek	Kokomo	Development and Head Office	Total
Total (100%)								
Cash and restricted cash	$ 6,066	$ 16,572	$ 6,170	$ 4,427	$ 6,142	90	$ 9,720	$ 49,187
Accounts receivable and other current assets	16,449	13,960	3,600	5,301	5,146	46	4,851	49,353
Plant and equipment	354,389	426,355	78	308,912	198,638	9,010	876	1,298,258
Intangible and other assets	139,139	6,349	131,436	43,679	1,860	1,752	86,794	411,009
Accounts payable	21,334	5,293	788	1,910	1,122	124	7,112	37,683
Long-term debt	59,434	354,608	121,991	—	134,241	4,504	178,938	853,716
Other liabilities	93,547	42,246	—	11,254	—	62	4,188	151,297
Net interest	53.9%	40.0%	25.5%	50.0%	51.0%	90%	100.0%	
Net interest cash	$ 3,269	$ 6,629	$ 1,573	$ 2,213	$ 3,132	$ 81	$ 9,720	$ 26,617
Net interest assets	278,147	185,294	36,027	181,159	107,990	9,808	102,241	900,666
Net interest long-term debt	32,035	141,843	31,108	—	68,450	4,054	178,938	456,428
Net interest liabilities	$ 93,956	$ 160,859	$ 31,309	$ 6,582	$ 69,022	$ 4,221	$ 190,238	556,187

Net Interest operations - Three months Ended September 30, 2017

	HS Orka (a)	Toba Montrose	Dokie 1	Shannon	Jimmie Creek	Kokomo	Development and Head Office	Total
Total (100%)								
Generation (MWh)	242,779	382,194	78,680	112,161	111,663	2,736	—	930,213
Revenue	$ 16,842	$ 33,776	$ 6,711	$ 2,720	$ 10,970	$ 222	$ —	$ 71,241
Adjusted EBITDA	$ 7,024	$ 29,590	$ 4,725	$ 738	$ 10,024	$ 162	$ (1,509)	$ 50,754
Net interest	53.9%	40.0%	25.5%	50.0%	51.0%	90.0%	100.0%	
Net interest generation (MWh)	139,118	152,878	20,063	56,081	56,948	2,462	—	427,550
Net interest revenue	$ 9,748	$ 13,510	1,711	1,360	5,595	$ 200	$ —	$ 32,124
Net interest Adjusted EBITDA	$ 3,602	$ 11,836	$ 1,205	$ 369	$ 5,112	$ 146	$ (1,509)	$ 20,761

(a) Here and elsewhere, net interest amounts for HS Orka reflect 66.6% ownership through July 27, 2017, and 53.9% ownership thereafter.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements and information in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities laws relating to the Company and its operations. All statements, other than statements of historical fact, are forward-looking information. Such statements may include, but are not limited to: statements with respect to future events or future performance; the electrical generation expectations of our projects; the capacity estimates for new or future projects; management's expectations regarding our growth; business prospects and opportunities; marketing of power and ability to secure power purchase or offtake agreements in respect of the same and the expected timing to implement such agreements; successful development, construction and financing (or achievement of conditions precedent related to tax equity funding thereto) of the Flat Top wind project, the Spartan solar project, the Brúarvirkjun hydro project, the Boswell Springs wind project and the Foard City wind project, and the timing of each of the same; securing, and successful completion of, construction debt and tax equity financing; timing for commercial operations for the Flat Top, Boswell Springs, Brúarvirkjun, Spartan and Foard City projects; the equity ownership expectations of the Spartan and Foard City projects and Graziella partnership; expectation that interconnection deposits will be reimbursed to Flat Top following completion of project construction; timing and expected results of the drilling, reinjection and other expansion programs at the Reykjanes and Svartsengi power plants, including expected results of RN 35, RN 36 and RN 29; timing of connecting well SVA 26 and the expectations for production potential; potential to increase production resulting from deep drilling; programs to upgrade and develop the Company's geothermal resources, including expectations for further field and plant output improvements; the reinstatement of the Thorsil contract, including the timing thereof; the expectation that the increased discharge capacity provided by the new discharge pipe will facilitate increased production from the Svartsengi plant and enable further development from the joint Svartsengi-Eldvörp geothermal field; plans to complete an updated feasibility study for Hvalá; the ability for HS Orka to meet its working capital needs from operating cash flows; the total estimated Jimmie Creek unused contingency and the timing of the remaining distribution; permitting, scheduling and successful completion of the Company's expansion and development efforts in respect of Alterra's various development assets and programs; whether the wind development projects actually or ultimately qualify for all, or a portion of, the production tax credits; the number of projects and generation capacity that may ultimately achieve commercial operations; Alterra's successful acquisition from or partnership with the owners of projects currently owned by other developers; the success of Alterra's project acquisition and greenfield development efforts; estimates of recoverable geothermal energy resources or power generation capacities; whether the Company's efforts to arrest declines in generation will be successful; permitting and regulatory requirements related to any such plans; all statements regarding the Company's plans and expectations for the declaration or suspension of future dividends, including the timing and amount thereof; the timing of HS Orka distributions; the reduction of HS Orka ownership interest, refinancing, repayment or the return of collateral of the holding company bonds; all statements relating to the potential sale or retention of the Blue Lagoon, including the purchase price in respect thereof, if any; all statements relating to the successful closing of the Innergex Transaction, including the timing, effect, results and completion thereof, the timing of the Company's special meeting and the mailing of the related management information circular, and the final pro-ration of the consideration paid to shareholders upon closing; management's assumptions related to, and all instances of, forward-looking financial information. Such forward-looking information reflects management's current expectations and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "anticipate", "believe", "forecast", "plan", "expect", "is expected", "budget", "estimates", "goals", "intend", "targets", "aims", "appears", "likely", "typically", "potential", "probable", "outlook", "continue", "strategy", "proposed", or "project" (in reference to projections) or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would" or "shall" be taken, occur or be achieved.

A number of known and unknown risks, uncertainties and other factors may cause our actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. Such factors include, but are not limited to: hydrological studies may not confirm that water flows are sufficient to generate enough electricity to support our planned hydro development programs; wind studies may not confirm that wind resources are sufficient to generate enough electricity to support our planned wind development programs; failure to discover and establish economically recoverable and sustainable geothermal resources through our development programs; geothermal development programs are highly speculative, are characterized by significant inherent risk and costs, and may not be successful; our financial performance depends on our successful operation of power plants, which is subject to various operational risks; our renewable power resources may decline over time and may not remain adequate to support the operation of our power plants; imprecise estimation of renewable power resources or power generation capacities; the expected timing for realizing the output capacity of the well, if any, the imprecise nature of estimation of renewable power resources or power generation output and recoveries, including the difficulty in assessment until a geothermal resource is actually accessed and tested by production wells, conceptual nature of the deep drilling preliminary output potential and risk that there has been insufficient testing and research to define geothermal resource, assumptions concerning and fluctuations related to, temperature and composition of underground fluids, risks related to additional financing to achieve growth and development; imprecise estimation of renewable resources; variations in project parameters and generation rates; meteorological or geological occurrences beyond our control may compromise our operations and their capacity to generate power; inability to obtain the financing or refinancing we need to pursue our growth strategy and business plans; we may be required to spend significant funds to advance development or construction before obtaining financing; financing arrangements and associated covenants may restrict our ability to pursue future financings and potentially limit our future business dealings; the significant cost of placing power plants into commercial production; non-contracted power prices are subject to dramatic and unpredictable fluctuations; industry competition may impede our ability to access suitable renewable power resources; we may be subject to litigation or arbitration that has an adverse outcome; we may be unable to enter into PPAs on terms favourable to us, or at all; the cancellation or expiry of government initiatives to support renewable energy generation may adversely affect our business; whether Alterra's on-site and off-site early-stage construction activities will be sufficient to qualify the wind development projects for the full value of the PTCs; rules, regulation or other guidance may be promulgated pursuant to the Internal Revenue Code of 1986 (as the same may be amended, updated or otherwise modified from time to time) that could jeopardize or otherwise impede the effectiveness of such on-site and off-site early-stage construction activities qualifying such projects for the full value of the PTCs and securing tax equity financing on such basis; risks associated with the recently announced proposed changes to the U.S. federal tax plan, including prospective reduction in the corporate tax rate and reduction, retroactive repeal and/or modification of the PTC program, specifically, under certain proposed tax changes this could result in less valuable project capital investment deductions, reduction in tax equity investment appetite and/or a reduction in PTC value for wind projects not yet under construction, each of which could have a material effect on Alterra's financial position and results of operations and its ability to fund growth prospects; other government actions may be taken that could result, directly or indirectly, in the same effect on Alterra's intended qualification of such projects for PTCs; the implementation of lower corporate tax rates may impede our ability to obtain sufficient amounts of tax equity investment or achieve desired economic returns; the accuracy of current estimated generation capacity, the sufficiency of the wind resource and the satisfactory resolution of related development milestones for each of the projects intended to be qualified for PTCs; successful closing of the acquisition of certain of the wind development projects including without limitation successful completion of due diligence on such projects, negotiation of definitive purchase agreements, satisfaction or waiver of all conditions precedent thereto and the approval of Alterra's Board of Directors; successful development of each of the wind development projects, including the financing thereof and if applicable, completion of third party infrastructure, within a timeframe that permits Alterra to obtain the value of such PTCs with respect to each project; we may experience delays or be impacted by unexpected capital cost increases; unexpected or challenging geological conditions; changes to regulatory requirements, both regionally and internationally, governing development, renewable resources, generation, exports, taxes, labour standards, occupational health, land use, environmental protection, project safety and other matters; failure to obtain or maintain necessary licenses, permits and approvals from government authorities; the success of our business relies on attracting and retaining key personnel; the risk of human error; our officers and directors may have conflicts of interests arising out of their relationships with other companies; we may face adverse claims to our title; developments regarding aboriginal, First Nations and other indigenous peoples or local communities; fluctuations in foreign currency exchange and interest rates may affect our financial results; we may not be able to successfully integrate businesses or projects that we acquire in the future; our insurance policies may be insufficient to cover losses; the governments of the countries in which the Company undertakes its activities may take action which results in fines or other penalties levied against the Company; aluminum price risk with respect to certain contracts the Company has in Iceland; merchant price risk for the non-contracted portion of sales at Shannon and other development projects when advanced, including Flat Top; risks, including under delivery, shape and basis risks, related to delivery of the power under of the power hedge at Shannon and other development projects when advanced, including Flat Top; risks associated with inter-regional transmission grids; risks related to reliance on, and relationships with, third parties (including with respect to transmission infrastructure); host country economic, social and political conditions can negatively affect our operations; the fluctuation of our common share price could result in investors losing a significant part of their investment; future issuances of equity securities could negatively impact the trading price of our common shares; the risk of volatility in global financial conditions; availability of capital and future cash flows; ability to meet corporate law requirements and board approval of, or further suspension of, future dividends; the Company's future growth plans, as well as significant decline in general economic conditions; risks inherent to the Innergex Transaction, including satisfaction of the closing conditions thereto, receipt of shareholder, court, regulatory and other third party approvals, whether assessments of value made by Alterra and Innergex are ultimately correct, realization of any strategic, operational or financial benefits from the Innergex Transaction, and timing thereof; risks related to the exercise of termination rights by Innergex or Alterra, including the risk that Alterra could be required to pay a fee to Innergex or pay expenses of Innergex, the result of which could have a material adverse effect on Alterra's financial position and results of operations and its ability to fund growth prospects and current operations; risk that the Innergex Transaction could be modified, restructured or terminated, risks associated with the Innergex Transaction not being completed and Innergex and Alterra continuing as separate entities, there are risks that the announcement of the Innergex Transaction and the dedication of substantial resources of Alterra to the completion of the Innergex Transaction could have an impact on Alterra's business and strategic relationships (including with future and prospective employees, customers, distributors, suppliers and partners), operating results and businesses generally, and could have a material adverse effect on the current and future operations, financial condition and prospects of Alterra; liquidity risks associated with the near term maturity of the holding company bond (Sweden) and the refinancing or retirement thereof and the failure of the Innergex Transaction to close; risks related to capital resources, derivative financial instruments, financial leverage and restrictive covenants; and other exploration, development and operating risks. There may be other factors that cause unanticipated or unintended actions, events or results. These factors are not intended to represent a complete list of the risk factors that could affect us. Additional risk factors are discussed in the section entitled "Risk Factors" in our most recent Annual Information Form, copies of which are available at www.sedar.com. These factors should be considered carefully and investors should not place undue reliance on forward-looking information.

The forward-looking information contained in this MD&A is based upon what management believes to be reasonable assumptions, including, but not limited to: the effects of any increase in power generation from our operations; the success and timely completion of planned acquisition, development and expansion programs; our ability to comply with local, state, provincial and federal regulations dealing with operational standards and environmental protection measures; our ability to negotiate and obtain PPAs on favourable terms; our ability to obtain necessary regulatory approvals, permits and licenses in a timely manner; the availability of materials, components or supplies; our ability to solicit competitive bids for construction, drilling, or other relevant third party services and obtain access to critical resources; the growth rate in net electricity consumption; support and demand for renewable power generation; government initiatives to support the development of renewable power generation; the accuracy of volumetric reserve estimation methodology and probabilistic analysis used to estimate the quantity of potentially recoverable energy; the accuracy of the analysis used to estimate renewable resources and reserves; environmental, administrative or regulatory barriers to the development of resources on our properties; geological, geophysical, geochemical and other conditions at our properties; the reliability of technical data, including extrapolated temperature gradient, geophysical and geochemical surveys and geo-thermometer calculations; capital expenditure estimates; availability of capital to fund, development and expansion programs; that third party infrastructure will be operational within projected timelines; our competitive position; assumptions that the recently announced proposed changes to U.S. federal tax plan and specifically reduction in the corporate tax rate and reduction and retroactive repeal and/or modification of the PTC program does not get implemented as currently proposed, that the Innergex Transaction will proceed to closing as anticipated, including timely receipt of shareholder, court, regulatory and other third party approvals; expectations and assumptions concerning availability of capital resources; economic and financial conditions. Forward-looking information is also based upon the assumption that none of the identified risk factors that could cause actual results to differ materially from the forward-looking information will occur.

There can be no assurance that the forward-looking information included in this MD&A will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, investors should not place undue reliance on forward-looking information. Forward-looking information is made as of the date of this MD&A and, other than as required by applicable securities laws, we assume no obligation to update or revise such forward-looking information to reflect new events or circumstances.

COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)
Crowell ISD–Foard City Wind, LLC App. #1231

Comptroller Questions (via email on February 14, 2018):

1. *Is the Foard City Wind, LLC currently known by any other project names?*

2. *Has this project applied to ERCOT at this time? If so, please provide the project's IGNR number.*

Applicant Response (via email on February 16, 2018):

1. *No.*

2. *19INR0019.*