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The Wuskwatim Partnership Leaves Other Agreements in Place

Nothing in the SOU is intended to alter Aboriginal or treaty rights under Section 35 of the Constitution, or authorize Hydro to take or use reserve lands without the consent of NCN and its Members. Nor is it intended to relieve Canada, Manitoba or Hydro of any continuing obligations under the Northern Flood Agreement, the 1996 NFA Implementation Agreement or the Treaty Land Entitlement Agreement.

If there are discrepancies between the full report, *Summary of Understandings Between Nisichawayasihk Cree Nation and Manitoba Hydro With Respect to the Wuskwatim Project*, October 2003, and this document, the full report will prevail.



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SIMPLE SNAPSHOT

SUMMARY OF UNDERSTANDINGS

Between Nisichawayasihk Cree Nation and Manitoba Hydro With Respect to the Wuskwatim Project

For complete details please refer to the full document.

Moving Towards a Wuskwatim Power Partnership

Manitoba Hydro and the Nisichawayasihk Cree Nation have written a Summary of Understandings (SOU) document that will form the outline of a Project Development Agreement (PDA). Through the PDA, NCN and Hydro will form a partnership to own the proposed Wuskwatim generating station to be located in the Nelson House Resource Management Area. The partnership approach was first outlined in the Agreement in Principle (AIP).

This SOU is not a final agreement and is not a legally binding document.

The generating station is planned to be operational around 2010, with a current estimated cost (including interest charges) of \$756 million. Construction is expected to take six years, commencing about six months after the Wuskwatim Power Partnership receives all approvals and licenses and NCN Members and the Manitoba Hydro Board of Directors ratify the PDA.



Approvals and Regulation: NCN Approval is Essential

The SOU is a public document because it was filed with the Clean Environment Commission. The CEC is expected to hold hearings on the proposed development in March and April of 2004 and then make recommendations about the project to the Manitoba Minister of Conservation. The project will then need to be approved by the federal and provincial governments before licenses can be granted.

To go forward, the project will also need the approval of a majority of NCN voters in a secret-ballot vote to ratify the PDA.

How the Partnership will Work: NCN Can Own Up To 33% of the Generating Station

As outlined in the SOU, the Wuskwatim Power Partnership will be owned through a limited partnership structure, with NCN owning up to 33 percent and Hydro owning the balance. As required in a limited partnership, there will be a 'general partner', necessary to conduct the business of the partnership. The general partner will be a subsidiary of Hydro and own only 0.01 percent. This limited partnership structure provides tax advantages while protecting NCN from the partnership's debts and obligations.

NCN will have representatives on the board of the general partner, and will have the right to compel the general partner to initiate reviews of pricing agreements and service contracts.

Hydro will manage the Wuskwatim Power Partnership, including constructing, operating and maintaining the generating station. The station will be operated within Hydro's existing power grid, and Hydro will be required to operate the station in a reasonable manner that will benefit both the station and the integrated power system. Hydro will also purchase all the power produced at the generating station and transmit that power to customers.

Manitoba Hydro must obtain NCN's consent before it can change certain fundamental features of the project, such as the location of the camp and road.

How the Project will be Financed and Funded

The proposed generation project (not the transmission lines and stations) will cost about \$756 million. The partnership will borrow 75 percent of this, and will have to come up with about \$189 million in cash. If NCN decides to be a 33 percent partner, NCN will have to come up with about \$62 million.

The first step for NCN will be to come up with \$1 million just before construction starts (maybe late 2004). Before then, NCN could choose to withdraw from the partnership and lose nothing at all. NCN won't have to come up with any more money until just before construction is finished (maybe 2010). If NCN wants to withdraw from the partnership before then, it can do so, and it will get its \$1 million back.

Just before construction is finished (maybe 2010), NCN will have to come up with about \$62 million. NCN and Hydro both anticipate that NCN will not have this much money. Therefore, Hydro is prepared to lend NCN about \$41 million, so that NCN can be a 33 percent partner. NCN would pay this back to Hydro from its share of future profits.

As part of the \$62 million NCN would have to come up with about \$21 million of its own. Every year, NCN gets about \$4 million to spend from the 1996 Trust. NCN can decide, through the Community Approval Process (CAP), to set aside some money every year until 2010, to use as part of this \$21 million. NCN may approach governments or others for additional money.

During the first years of operation, NCN will use most of the profits to repay the loan from Hydro. However, NCN may decide that it needs some cash flow for community programs and projects, even in the early years. Hydro recognizes this, so Hydro is prepared to lend NCN some extra money in these early years (maybe about \$1 million per year) so that NCN can have some cash flow. NCN would repay this extra loan from its 33 percent share of future profits.

If something totally unforeseen happens, and the partnership needs more money, it will make a "cash call" (demand for extra money) on the two partners. It is hoped that this will never happen. Hydro recognizes that NCN might not have the money to pay a cash call, so it is prepared to make an extra loan (a Cash Call Loan) to NCN, if this ever becomes necessary. NCN would also repay this from its 33 percent share of future profits.

As the loan from Hydro is repaid, NCN will gradually get more of the profit to spend every year. By 2035, it is estimated that all loans from Hydro will be repaid, and NCN will get tens of millions of dollars a year to spend. Though details are still being worked out, it is likely that NCN will create some form of community approval process to decide how it should spend its money every year.

Training, Jobs and Business Opportunities

The SOU provides for training, construction employment and business opportunities during construction for NCN Members and qualifying NCN businesses. While the PDA will not include the transmission lines and stations, the PDA will provide for employment and business opportunities associated with the development of transmission lines and stations. As well, Manitoba Hydro will establish a development fund to benefit NCN and other potentially affected Aboriginal communities that pursue traditional-use activities on Crown Lands required for the transmission facilities.

NCN and Hydro have agreed to preferred transmission routes and applied for environmental licenses for these routes.