

1 **Q. Re: IN-NLH-069**

2 “It is important to note the exception to the above is Hydro’s role in Natuashish.
3 Hydro’s main function in Natuashish is to operate and maintain the diesel plant and
4 distribution facilities on behalf of the Mushuau Innu First Nation (MIFN) on a full
5 cost recovery basis.”

6 Has MIFN requested regular service from Hydro for the community of Natuashish?

7 If so, please describe exchanges with MIFN in this regard, and provide copies of
8 relevant documents.

9 Is there any reason for Hydro not to provide regular service to customers in
10 Natuashish, if so requested? If so, please specify.

11

12

13 **A.** There have been occasions when the issue of Hydro becoming the supplier of
14 energy to customers in Natuashish, by taking over the ownership of the generation,
15 distribution and associated facilities of Natuashish (“Power System”), have been
16 discussed. Discussions in that regard have not led to Hydro becoming the owner
17 and supplier due to a number of factors including, but not limited to, issues
18 surrounding the ownership of the distribution plant in the community, ownership
19 and control of the fuel tanks, and funding by the Federal Government. None of
20 these discussions resulted in Hydro becoming the owner of the plant and the
21 supplier of electricity to individual customers in Natuashish.

22

23 The exchanges with MIFN and the federal government are summarized below:

- 24 • In June of 1999, the Mushuau Innu Band Counsel (MIBC) asked Hydro to
25 consider taking over the generation, distribution and associated facilities of
26 Natuashish (“Power System”) for \$1.00 whereby Hydro would own and

1 operate the Power System. Hydro asked that the request be put in writing
2 which went unanswered;

- 3 • In February of 2000 the MIBC and the Government of Canada represented
4 by Department of Indian Affairs and Northern Development (DIAND), again
5 verbally requested that Hydro consider taking over ownership of the Power
6 System. Hydro asked that the request be put in writing before formally
7 responding;

- 8 • In a letter dated February 28, 2000, then MIBC Chief Nui, wrote Hydro
9 requesting that Hydro assume ownership of the Power System for \$1.00.
10 Please see IN-NLH-195 Attachment 1;

- 11 • On March 1, 2000 Hydro responded to Chief Nui indicating that it did not
12 know how long it would take for Hydro to be in a position to respond to
13 MIBC's proposal. Please see IN-NLH-195 Attachment 2;

- 14 • On April 7, 2000, Hydro provided a written response to Davis Engineering
15 and Associates Ltd, on part on MIBC, copying MIBC and DIAND, outlining the
16 terms and conditions that would have to be satisfied before Hydro would
17 become involved in the operation of the Power System. A further letter was
18 sent to DIAND on July 14, 2000. Please see IN-NLH-195 Attachments 3 and 4;

- 19 • On January 2002, Hydro met with Federal Public Works and Government
20 Services (PWGSC) and Federal Department of Justice representatives to
21 commence negotiations on a long-term ownership agreement whereby
22 Hydro would assume ownership of the Power System for nominal
23 consideration. On January 23, 2002, Hydro advised, in writing, of its position
24 regarding the ownership and operation of the Power System. Please see IN-
25 NLH-195 Attachment 5;

- 26 • Discussions continued from 2002 to 2004, however, the issues surrounding
27 ownership of the Power System were not resolved;

- 1 • In March 2005, MIFN subsequently decided that they would like to own the
2 Power System infrastructure and would like to have Hydro manage and
3 operate the Power System. As a result, the parties commenced negotiations
4 for a tripartite long-term operating agreement with respect to the
5 management of the operation and maintenance of the Power System.
6 Please see IN-NLH-195 Attachment 6; and
- 7 • MIFN has recently again contacted Hydro to propose a transfer of ownership
8 of the diesel plant and electrical system. Hydro has responded by expressing
9 its willingness to engage in discussions in this regard. Please see IN-NLH-195
10 Attachments 7 and 8.

FEB 25 '00 09:39AM

Mushuau Innu First Nation



Box 107 • Utshimassits • Labrador
AOP 1A0

23 February 2000

(709) 478-8627/8902/8867 Fax: 478-8936

Newfoundland and Labrador Hydro
P.O. Box 12400
St. John's, NF
A1B 4K7

Attention: Mr. William E. Wells
President and Chief Executive Officer

Dear Mr. Wells:

RE: PROVISION OF ELECTRICITY FOR NATUASHISH

At this time, we are requesting that Newfoundland & Labrador Hydro take over ownership and operation of the diesel powered generation plant and electrical distribution system, for the new community of Natuashish. We would see Hydro's role being similar to that which now exists at the present community of Davis Inlet, and the same rate structure for electricity to be applied.

We realize that there will be a period of time in which the new plant and the existing plant will have to be operated simultaneously. The new plant when operational will be required to provide electricity for construction and maintenance of the new community until it is occupied.

Costs associated with operating the Natuashish plant during the change over period will be borne by Canada, until such time as the Davis Inlet power plant is no longer required. A certain period of time will be required for our people to make the move from Davis Inlet to Natuashish. After that, your existing plant at Davis Inlet can be decommissioned.

The transfer of ownership to Hydro will have to be arranged with Canada. Our Project and Construction Management team will work with your engineers to ensure that the system is built to satisfy both the Mushuau Innu and Hydro's requirements.

Sincerely,
Mushuau Innu Band Council


Chief Mark Nui

cc: Joe McKinnon, Project Leader
Kashetan Rich, Director General, MIRC
Laban Davis, Project Manager

**NEWFOUNDLAND AND LABRADOR HYDRO**

Head Office: St. John's, Newfoundland P.O. Box 12400 A1B 4K7
Telephone (709) 737-1400 • Fax (709) 737-1231 • Website: www.nlh.nf.ca

FAXED

March 1, 2000

VIA FAX (709) 478-8936

Chief Mark Nui
Mushuau Innu First Nation
Box 107
Utshimassits, Labrador
A0P 1A0

C.C. DWO
MPG
JKO
GTH
H.B.
S.B.
W.C. ✓

Dear Chief Nui:

Re: Provision of Electricity for Natuashish

I wish to acknowledge your letter of February 28, 2000 wherein you request that Newfoundland and Labrador Hydro ("Hydro") take over ownership and operation of the diesel power generation plant and electrical distribution system, for the new community of Natuashish. In this situation I am not sure how long it might take for Hydro to be in a position to formally respond to your request in the affirmative or negative. I will endeavour to move the process along as quickly as possible.

Hydro will proceed on the assumption that the issues that have to be worked out will all fall into place and eventually we will be the operator and provider of electrical service for the new community of Utshimassits. In keeping with that view we will be pleased to work with the representatives of your Project and Construction Management Team.

I look forward to meeting with you and other representatives of the
Mushuau Innu First Nation on this project and other issues during the year.

Yours very truly,



William E. Wells,
President & Chief Executive Officer.

WEW/kdc

BY FAX

cc.

Mr. Joe McKinnon, Project Leader, Government of Canada
(902) 661-6237

Mr. Cajetan Rich, Director General, MIRC
(709) 478-8916

Mr. Laban Davis, Project Manager, Davis Engineering
(709) 543-2212



NEWFOUNDLAND AND LABRADOR HYDRO

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IN-NLH-195, Attachment 3

Page 1 of 4, NLH 2013 GRA

File No. _____

April 7, 2000

Davis Engineering and Associates Ltd.
10 Thompson Street
P.O. Box 1060
Clareville, Newfoundland
A0E 1J0

**Attention: Mr. Laban Davis, P. Eng.
Project Manager**

Dear Laban:

Re: The relocation of Davis Inlet to Natuashish

On March 03, 2000, at the request of Davis Engineering and Associates Limited (DEAL), a meeting was held with Hydro to discuss a number of issues relating to design and construction and engineering resource issues regarding the Natuashish Electrical distribution system and power plant facilities. In your follow-up letter of March 8, 2000, you reiterated the need for DEAL as the Project Manager to have access to resource persons experienced in diesel generation plant design and asked if Hydro would be willing to provide these resources. You explained that your request was based on the assumption that Hydro will most likely own and operate the new facilities when completed and you are trying to ensure that the plant is designed and constructed to Hydro's standards. The purpose of this letter is to respond to your request and convey the extent of Hydro's involvement in the design and construction of the total electrical facilities for the new community of Natuashish.

As you are aware, on Feb 28, 2000 Hydro received an official request from Chief Mark Nui of the Mushuau Innu Band Council requesting Hydro to take over the ownership and operation of the electrical facilities for the new community of Natuashish once construction was completed. Hydro responded to Chief Nui's request on March 1, 2000 that we are unsure how long it might take for Hydro to be in a position to formally respond to the request in the affirmative or negative. However, we would endeavor to move the process along as quickly as possible. Also, it was indicated that Hydro is willing to proceed on the assumption that all issues will be resolved in due course and eventually Hydro will be the operator and provider of electrical service for the new community of Natuashish.

Prior to the letter of Feb 28, 2000, Hydro acted in an informal role only in its dealings with DEAL, DIAND or any other party in regards to matters concerning the relocation of Davis Inlet to Natuashish. In this role Hydro has responded to all questions in regards to how it plans, designs and operates the isolated systems where it provides service. As well, Hydro's

Distribution Design Standards and tendering package for Diesel Plants and Distribution Systems were provided as requested.

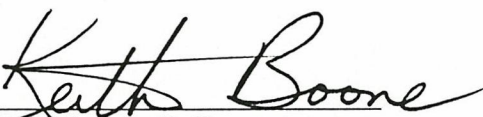
As a result of this recent request, Hydro is now prepared to take a more active role in the project to ensure that the distribution system and power plant facilities are built to a standard that Hydro can accept so that there will be no transfer difficulties if and when Hydro becomes the owner and operator. The attached Conditions outlines in more detail the activities that Hydro is prepared to carry out in this new role.

Since our meeting with you on March 3, 2000, Hydro has formed a small group to coordinate any issues for Hydro regarding the relocation of Davis Inlet to Natuashish. As the chair of this group, I wish to advise you that I will also be acting as Hydro's liaison for this project. You, therefore, should address all future requests and correspondence with Hydro in regards to this project to my attention.

Once you have had time to review the extent of Hydro's involvement as per the attached Conditions, please call me so that we can arrange a meeting as soon as possible to discuss how we will work together on these matters.

Yours truly,

NEWFOUNDLAND & LABRADOR HYDRO


Keith Boone, P. Eng.
Generation & Rural

cc: Joe McKinnon, DIAND
Chief Mark Nui

CONDITIONS

The following is a general listing of the extent and conditions of Hydro's involvement with the Project Manager, DEAL, the MIBC and DIAND, in the project to establish the new community of Natuashish. The establishment of these conditions assumes that Hydro may takeover the electrical facilities from the MIBC once construction is complete, however Hydro has not yet committed to do so.

1. The extent and conditions of Hydro's involvement in the project will be outlined in a Memorandum of Understanding between Hydro and the appropriate parties.
2. Hydro will not accept ownership of the electrical facilities for the new community of Natuashish until Hydro has decommissioned and abandoned service at Davis Inlet.
3. The land, which the electrical facilities will be situated on in Natuashish, will be conveyed to Hydro in fee simple.
4. Hydro will only take over ownership and operation of the power plant and distribution system, provided they are built to Hydro's standards. In order to ensure that the facilities are built to Hydro's standards, Hydro will review and accept designs for the facilities.
5. The scope of Hydro's involvement will be limited only to the facilities Hydro is being requested to take over, that is: the Distribution System and Power Plant facilities.
6. Hydro reserves the right to inspect all construction and manufacturing facilities, and all design information concerning the facilities Hydro is being requested to take over. In general, Hydro will require full Engineering Design particulars on the following items but not limited to:
 - Distribution System Design, Construction Drawings and loading calculations.
 - Load Profiles and Forecasts for the power plant.
 - Power plant Design, including all Mechanical, Electrical and Civil Designs as well as the design for the waste heat recovery systems.
 - Foundation design and design calculations for the power plant.
 - Customer Metering service connection design and specifications for meters, meter types and installation details.
 - Commissioning and start-up procedures for the Diesel Plant.

7. All costs incurred by Hydro in coordinating; reviewing and accepting designs; inspections; and final acceptance of the facilities will be recovered from the relocation project funds. This cost recovery will be implemented on a monthly basis, according to actual costs incurred by Hydro staff.
8. Hydro will not be responsible for any Engineering Designs, Project Management/Construction Management or Inspection Activities. These will all be the responsibility of DEAL. Hydro's responsibility will be limited to Design Review and Acceptance, only.
9. DEAL will be responsible for the acquisition of all environmental permits and approvals associated with the design and construction of the distribution and power plant facilities. Hydro is to be provided with copies of all correspondence with government environmental agencies and copies of all permits and approvals received.
10. Final acceptance and transfer of the noted facilities to Hydro will be subject to final inspection and formal, signed acceptance by Hydro.
11. Hydro staff will want to witness all commissioning and start-up processes, and formally sign off on "Commissioning Acceptance Reports".
12. All correspondence and coordination on the project will be coordinated through Hydro's liaison, the undersigned in the letter to this attachment.
13. Decommissioning Costs
14. Fuel Storage Facilities - ownership - 2 options



File No. _____

NEWFOUNDLAND AND LABRADOR HYDRO

Head Office: St. John's, Newfoundland P.O. Box 12400 A1B 4K7
Telephone (709) 737-1400 • Fax (709) 737-1231 • Website: www.nlh.nf.ca

July 14, 2000

Mr. Joe McKinnon
Indian and Northern Affairs Canada (DIAND)
P.O. Box 160
Amherst, Nova Scotia
B4H 3Z3

Dear Mr.  McKinnon:

Re: Hydro's Engineering Review cost for its Formal Review approach

This letter is a follow up to our meeting of May 12, 2000. At that time it was agreed that Hydro would prepare for your consideration, a detailed breakout of the estimated cost and description of what Hydro describes as its Engineering Review involvement in Hydro's Formal Review approach for Natuashish's electric power supply and distribution system. This is being done to address the immediate needs for the project. After review and approval of Hydro's review costs, DIAND would then prepare a Letter of Intent (LOI), authorizing Hydro to proceed with the Formal Review approach and the reimbursement of Hydro's costs. Hydro will then follow this approach in regards to its dealings with the Mushuau Innu Band Council (MIBC) of Davis Inlet and the design, construction and commissioning of the electrical facilities for Natuashish.

The Formal Review approach was initially described under the "Conditions" in Hydro's letter to Davis Eng. and Assoc. Ltd. (DEAL) of April 7, 2000 and again at our May 12 meeting. We have made some changes to the "Conditions", to reflect our latest discussions and the updated Conditions list is attached to this letter. Although the immediate engineering review needs of the project can be met as noted in this letter, there are other issues that need to be resolved before Hydro would agree to taking over the ownership and operation of the Natuashish electrical facilities. These issues will be dealt with further along in the project through a Memorandum of Understanding (MOU) between Hydro with the Mushuau Innu Band Council (MIBC) and DIAND.

Before outlining Hydro's Formal Review approach, it may be helpful to briefly describe Hydro's involvement to date with respect to this project, which I will call the Informal Review.

Informal Review

On March 1, 2000, Hydro responded to Chief Mark Nui's request for Hydro to take over the ownership and operation of the electrical facilities of Natuashish once constructed. Prior to this

date, it was Hydro's understanding that the Mushuau Innu of Davis Inlet would be the owners and operators of the Natuashish electrical facilities. In the Informal Review role, Hydro did not seek or take any responsibility for the design of the electrical facilities and was not concerned with conformance of the design to a standard acceptable to Hydro, since the MIBC would be owning and operating the electrical facilities. At this level of commitment, it was assumed DEAL had the expertise to use the information Hydro was providing and design and manage the construction of the electrical facilities. Essentially, Hydro acted in an advisory capacity responding to questions or requests for information, with all decisions resting solely with DEAL, as the Project Manager. In this role Hydro had little direct involvement with the MIBC or DIAND.

Scope of Hydro's Formal Review

The following description of the Engineering Review of Hydro's Formal Review approach includes a compilation of information given to DEAL previously and additional information to be provided with respect to the scope of Hydro's involvement and the basis for Hydro's cost estimate of Hydro's Formal Review of the project.

Through the Formal Review approach, Hydro will be taking a more active direct role in the project. This increased role will ensure that the distribution system and power plant facilities are built to a standard that Hydro could accept so that there will be no technical difficulties should Hydro assume ownership and operation of the Natuashish electrical facilities.

The Formal Review approach is dependant on DEAL having fully competent staff in all engineering disciplines and carrying out or addressing any concerns or comments identified by Hydro in this review process. In order to clarify Hydro's and DEAL's responsibilities with respect to the Formal Review, Hydro expects the following protocols with DEAL:

- All design/documents should be at least 90 % complete before being submitted for review by Hydro;
- Hydro will be allowed 2 weeks to review drawings/documents before meeting to discuss with DEAL; and
- Following feedback or response from Hydro, DEAL will revise the drawings/documents, proceed with the work and forward a set of "Final" drawings/documents for Hydro's records.

Hydro does not anticipate any involvement in the detailed design of the project nor does Hydro anticipate having to provide instructions to DEAL on how to complete the detailed designs. In addition to the review of drawings/documents, Hydro may also require detailed information on tender evaluations and/or specific design calculations. This will be determined as the work proceeds.

Estimated Capital Cost of Engineering Review Aspects of Formal Review

Hydro estimates that it will cost approximately \$245,000 to cover its activities associated with its Formal Review of the project. The following is a detailed breakout of the estimate:

Civil Engineering	\$35,000
Electrical	26,000
Mechanical	50,000
Distribution	24,000
Protection & Control	37,000
I S & T	7,000
Operations	47,000
Environment and Properties	9,000
System Planning, Customer Services & Legal	<u>10,000</u>
	\$245,000

These costs are based strictly on the requirements of a Formal Review of the Natuashish Designs. It is based on all engineering design, project and construction management and inspection being done completely by DEAL. Included in the above estimate are costs for Hydro to witness factory tests and visit construction sites when necessary.


The design/build specification for the Natuashish power plant is similar to that for Hydro's new Nain power plant. Hydro's tender document for Nain requires that the contractor be responsible for the commissioning and start up of the plant and also for the training of operating staff. Hydro's cost estimate for the engineering aspects of its Formal Review includes the costs to review and accept the commissioning program; witness the commissioning and attend the training sessions.

Please note that as this is an estimate, Hydro intends to recover all actual engineering review costs associated with the project.

I trust this information meets your needs. I look forward to receiving your response. If you require further information or have any questions, please call me.

Sincerely yours,

NEWFOUNDLAND & LABRADOR HYDRO



Keith Boone, P. Eng.
Generation & Rural Planning

Cc: Laban Davis

Bcc: W. Wells, D. Reeves, E. Martin, T. Vatcher,
G. Lardigan, H. Budgell.

FORMAL REVIEW CONDITIONS

The following is a general listing of the extent and conditions of Hydro's involvement with the Project Manager, DEAL, the MIBC and DIAND, in the project to establish the new community of Natuashish. Hydro may, by mutual agreement, takeover the electrical facilities from the MIBC once construction is complete, however Hydro has not yet committed to do so.

1. The extent and conditions of Hydro's involvement in the project is to be outlined in a Memorandum of Understanding between Hydro and the appropriate parties.
2. Hydro will not accept ownership or the operating costs of the electrical facilities for the new community of Natuashish until Hydro has decommissioned and abandoned service at Davis Inlet. In other words, Hydro will not be responsible for the capital and /or operating costs of electrical facilities for more than one Mushuau Band Council community at any one point in time.
3. The land, which the electrical facilities will be situated on in Natuashish, will be conveyed to Hydro in fee simple.
4. Hydro will only take over ownership and operation of the power plant and distribution system, provided they are built to standards acceptable to Hydro. In order to ensure that the facilities are built to acceptable standards, Hydro will review designs for the facilities.
5. The scope of Hydro's involvement will be limited only to the facilities Hydro is being requested to take over, that is: the Distribution System and Power Plant and associated facilities.
6. Hydro reserves the right to inspect all construction and manufacturing facilities, and all design information concerning the facilities Hydro is being requested to take over. In general, Hydro will require full Engineering Design particulars on the following items, including but not limited to:
 - Distribution System Design, Construction Drawings and loading calculations.
 - Load Profiles and Forecasts for the power plant.
 - Power plant Design, including all Mechanical, Electrical and Civil Designs as well as the design for the waste heat recovery systems.
 - Foundation design and design calculations for the power plant.
 - Customer Metering service connection design and specifications for meters, meter types and installation details.
 - Commissioning and start-up procedures for the Diesel Plant.

7. All costs incurred by Hydro in coordinating; reviewing and accepting designs; inspections; and final acceptance of the facilities are to be reimbursed. This cost recovery will be implemented on a monthly basis, according to actual costs incurred by Hydro.
8. Hydro will not be responsible for any engineering designs, project or construction management or inspections. These will be the responsibility of DEAL. Hydro's responsibility will be limited to design review and sign off on Commissioning Acceptance only.
9. DEAL will be responsible for the acquisition of all environmental permits and approvals associated with the design and construction of the distribution and power plant facilities. Hydro is to be provided with copies of all correspondence with government environmental agencies and copies of all permits and approvals received.
10. Final acceptance and transfer of the noted facilities to Hydro will be subject to final inspection and formal, signed acceptance by Hydro.
11. Hydro will want to witness all commissioning and start-up processes, and formally sign off on "Commissioning Acceptance Reports".
12. NLH will not take ownership of the bulk fuel storage tanks and fuel distribution system but may take ownership of fuel storage tanks that may be constructed and are dedicated to the power plant facilities only.
13. All correspondence and coordination on the project will be coordinated through Hydro's liaison, the undersigned in the letter to this attachment.

July 14, 2000



NEWFOUNDLAND AND LABRADOR HYDRO

Head Office: St. John's, Newfoundland P.O. Box 12400 A1B 4K7
Telephone (709) 737-1400 • Fax (709) 737-1231 • Website: www.nlh.nl.ca

January 23, 2002

Public Works & Government Services
6th Floor, John Cabot Building
P.O. Box 4600, 10 Barter's Hill
St. John's, Newfoundland
A1C 5T2

Attention: Kerry Malone, Manager
Real Estate Advisory Services, Newfoundland

Subject: Meeting of January 10, 2002 at Hydro Place to discuss the Natuashish
electrical facilities,

Dear Mr. Malone:

At our meeting noted above, you requested that Newfoundland and Labrador Hydro (Hydro) put in writing its position regarding the ownership and operation of the electrical infrastructure for the new community of Natuashish, relocated from Davis Inlet.

Hydro is prepared to enter into negotiations to operate and maintain the electrical facilities in Natuashish provided that payment for services rendered is assured. In addition, should the Davis Inlet facilities be decommissioned then we would be seeking to recover and be compensated for our decommissioning costs less any amount related to the clean up of the site due to contamination and for any salvageable materials.

I trust this meets with your request.

Yours truly,

Keith Boone, P.Eng.
System Planning

KB:cfn

cc Bill Wells
Dave Reeves
Wayne Chamberlain
Bruce Hilchey



"Baird, Maeve"
<maeve.baird@justice.gc.ca>
03/16/2005 11:16 AM

To <WChamberlain@nlh.nf.ca>, <NKleer@OKTLaw.com>
cc "Butler, Michael" <Michael.Butler@JUSTICE.GC.CA>
bcc

Subject Hydro Operating Agreement Natuashish

WITHOUT PREJUDICE

Wayne/Nancy;

Following up from our meeting in St. John's on March 8-9th, I am confirming that our clients have requested that we prepare a draft operating agreement for the generating facility at Natuashish by April 15th. It is my understanding that the intention of the parties is to have a meeting on April 26th to review the agreement and resolve any outstanding issues.

As Nancy was not present for the meeting and may not have had an opportunity to obtain instructions from her client yet, this is my understanding of the general principles of the operating agreement;

- MIFN will continue to own the facility, including fuel tanks and lines and distribution system, as part of the band's infrastructure;
- MIFN will be responsible for general operations and maintenance and insurance for the facility (although they may purchase the operations and maintenance services from Hydro);
- Hydro will operate the facility pursuant to the operating agreement and will provide all the services they provide as a public utility for remote locations;
- Canada/MIFN will be responsible for one-half the net operating costs for the facility (including fuel costs) after billing (not collection) of consumers of electricity;
- Hydro will be responsible for one-half the net operating costs, and for rendering and collecting invoices to consumers of electricity;
- Hydro will apply the rural rates as set by the PUB from time to time when invoicing consumers;
- Hydro will not accept any liability for environmental contamination for fuel delivery, or for operation of the facility unless caused by its negligence;
- Hydro will provide to MIFN an annual capital plan and estimates for the facility, any issues arising from that will be addressed by the Operations Committee
- The Operations committee will continue to exist, and will meet quarterly at a minimum or as required;
- A management committee will be established which will meet twice a year to resolve any issues;
- Hydro wants confirmation from the band council that they support Hydro using normal collection procedures for unpaid invoices;
- The Operating agreement should include a clause to allow a review of the current arrangement, and particularly in the event there is an arrangement reached with respect to development of the Lower Churchill which affects the operating agreement.

There are some other issues to consider. DIAND has agreed to try to assist with payment of invoices for electrical consumption through a provision in the funding agreement for facility management.

DIAND is also determining the duration for which it can commit funding and whether it can exceed the usual five year funding arrangement. This will affect the term of the operating agreement.

We also need to determine in what circumstances the operating agreement can be terminated and what the consequences are for provision of electrical service if the agreement were terminated.

Hydro has agreed to make application to the PUB for abandonment of Davis Inlet once the operating agreement is finalized, and if necessary request the PUB's approval for the operating agreement-Wayne

is checking with his regulatory group on that issue.

I don't know if I have omitted something important but Wayne will tell me if I have. I don't know what Wayne's time line is for the initial draft that he agreed to prepare, but once we have that, we can have a meeting of counsel (either in person or on the phone) to review/discuss and then with luck we can make any changes before April 15th.

We will then need to prepare a 28(2) permit for Hydro. The MIFN have agreed to provide a BCR before the end of March to request DIAND to renew the existing letter permit.

Maeve

*Maeve A. Baird
Counsel
Civil Litigation and Advisory Group
Justice Canada
Suite 1400, Duke Tower
5151 Duke Street
Halifax, Nova Scotia B3J 1P3
Telephone (902) 426-8791
Facsimile (902) 426-8796*

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Mushuau Innu First Nation
Tel: (709)478-8827 Fax: (709)478-8920



P.O Box 190, Natuashish
Labrador, NL A0P1A0

January 14, 2014

Ed Martin
President and Chief Executive Officer
Hydro Place, 500 Columbus Drive
P.O. Box 12400
St. John's, NL
A1B 4K7

Dear Mr. Martin:

Re: Provision of Electricity Services at the community of Natuashish, Labrador

We are writing about the supply of electrical energy to residents of our community, Natuashish.

As you know, Mushuau Innu First Nation ("MIFN"), Canada, and NLH have been negotiating issues around the supply of electricity to residents of Natuashish since at least 2002, when our community's relocation from Davis Inlet began.

Over the years, the parties have tried to reach an agreement about the operation of the diesel plant and electricity distribution facilities at Natuashish and the treatment of necessary capital and operating expenses. To date we have been unable to reach an agreement.

The status quo leaves MIFN paying the full cost to generate and distribute electricity in Natuashish and the full costs of maintenance and capital expenses. This is profoundly unfair. Other residents of isolated communities in Labrador have the benefit of subsidized rates, due both to the regulatory treatment of the rural deficit and to the Northern Strategic Plan rebate. Because NLH has to date refused to supply electrical energy to the residents of Natuashish, they have not been eligible for these benefits.

We are asking to be treated the same as other isolated communities, who are all receiving the benefit of subsidized electricity rates. It appears to us that NLH is discriminating against the residents of Natuashish by treating us differently than other isolated communities and denying us the benefit of the subsidies in place to offset the high cost of electricity in isolated communities.

Over the years, MIFN has repeatedly expressed its position to NLH that:

- NLH should take over the entire electricity generation and distribution system in Natuashish and operate it as it does other remote systems in Labrador;
- As part of that takeover, NLH should purchase the current diesel plant and distribution system from MIFN at fair market value. The plant and associated facilities were built and paid for as part of the relocation to Natuashish and the facilities are currently owned by MIFN;

- Once NLH takes over the facilities at Natuashish, NLH should operate the facilities as they do elsewhere in other remote communities in Newfoundland and Labrador, which would include paying for all operating and maintenance costs and capital upgrades; and
- NLH must treat the residents of Natuashish as Labrador Isolated customers and charge them the same rates as NLH charges all other isolated customers in Labrador.

Please accept this letter as confirmation of these positions, and as a formal request that NLH supply electrical energy to the residences and businesses located in Natuashish. MIFN remains ready and willing to discuss all matters related to the provision of such supply, such as the sale or leasing of its facilities to NLH, or any other fair arrangements that would facilitate the provision of such supply.

As you know, Innu Nation is a recognized intervenor in NLH's General Rate Application which is currently before the Board of Commissioners of Public Utilities. We intend to raise the issue of NLH's unfair treatment of Natuashish at those hearings.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregory Rich". The signature is fluid and cursive, with a large initial "G" and "R".

Chief Gregory Rich, Mushuau Innu First Nation



E.J. (Ed) Martin
President and
Chief Executive Officer

Hydro Place, 500 Columbus Drive,
P.O. Box 12800, St. John's, NL
Canada A1B 0C9
t. 709.737.1440 f. 709.737.1782
nalcorenergy.com

January 29, 2014

Chief Gregory Rich
Mushuau Innu First Nation
P. O. Box 190
Natuashish, Labrador
NL A0P 1A0

Dear Chief Rich

I have received your letter of January 14, 2014 regarding the provision of electricity service to the community of Natuashish. We would like to re-engage in formal discussions with you to establish a long-term sustainable arrangement for providing safe and reliable electricity to the residents of Natuashish.

I have asked Rob Henderson, Vice President, Newfoundland and Labrador Hydro, to coordinate those discussions on behalf of the company. I would ask that your representatives make contact with Mr. Henderson to determine next steps. His contact information is below:

Rob Henderson, Vice President
Newfoundland and Labrador Hydro
P.O. Box 12400
St. John's, NL A1B 4K7
t. 709 737-1752 c. 709 682-3190 f. (709) 737-1318
e. RHenderson@nlh.nl.ca

Regards,

A handwritten signature in blue ink that reads "Ed." with a stylized flourish.

Ed Martin

.cc R. Henderson