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Your file - Votre référence

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E-4015-1

BY FAX

William E. Wells
President & Chief Executive Officer
NF & Labrador Hydro
P.O. Box 12400
ST. JOHN'S, NF A1B 4K7

Dear Mr. Wells:

RE: Natuashish Electrical Facilities

Further to your correspondence to Mr. John A. Olthius dated March 28, 2002, we wish to provide our comments.

Firstly, thank you for offering to provide the personnel necessary to commission the new plant in Natuashish on a timely basis to ensure that electrical services will be provided in the new community prior to the transfer of residents from Davis Inlet.

With regards to Hydro's on-going responsibilities with respect to the operation and maintenance of electrical services for Natuashish we offer the following.

- Indian and Northern Affairs Canada (INAC) will cover all Hydro costs for the commissioning of the electrical facility at Natuashish.
- INAC will pay all electrical operational costs at Natuashish from start up and during the relocation up until December 31, 2002. After December 31, 2002, Hydro will charge the users of electrical services at the new community for services. Charges to be similar to rates charged for electrical services at other communities in coastal Labrador. Effective January 1, 2003, Hydro will charge users (ratepayers) at Natuashish for services.

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- The Mushuau Innu Band Council (MIBC) and the Mushuau Innu Housing Authority (MIHA) in consultation with INAC will accept responsibility to ensure the payment of all Hydro bills at Natuashish. The MIHA is developing procedures to collect funds for payment of electrical services and will accept responsibility for Hydro payments.
- I understand the MIBC is agreeable to providing Hydro with a lease or similar instrument at nominal cost, for the electrical facilities and distribution system at Natuashish. It is proposed that the Natuashish site will be set apart as an Indian reserve for the Mushuau Innu. INAC agrees to work with the MIBC in order to provide Hydro with the necessary legal title to continue to utilize, operate and maintain the electrical facilities at Natuashish after reserve creation.

The move of residents from Davis Inlet to Natuashish is scheduled to begin in mid October 2002 and is scheduled to be finalized prior to year end.

We acknowledge that Hydro does not wish to accept the responsibility of absorbing the costs of operations for two communities, therefore, INAC will reimburse Hydro for all operating costs at Davis Inlet for an interim period.

Effective January 1, 2003, INAC will accept responsibility to reimburse Hydro for operational costs at Davis Inlet until April 30, 2003. Most dwellings and facilities at Davis Inlet will be vacant prior to January 1, 2003. It is our understanding that Hydro will initiate decommissioning of the Davis Inlet facility after relocation. To this end, during the spring of 2003 we assume Hydro will disconnect all vacant / abandoned structures and will also give notice & disconnect service to all delinquent ratepayers still occupying sites at Davis Inlet.

In addition to reimbursing Hydro for costs at Davis Inlet from January 1, 2003 to April 30, 2003, INAC will also reimburse Hydro for decommissioning costs at the Davis Inlet facility whether before or after April 30, 2003.

In summary INAC agrees to:

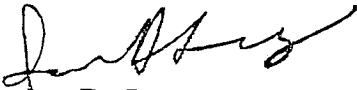
1. Pay commissioning costs at Natuashish
2. Pay Hydro costs at Natuashish till December 31, 2002
3. Pay Hydro costs at Davis Inlet from January 1, 2003 – April 30, 2003
4. Pay decommissioning cost at Davis Inlet
5. Work with the MIBC and the MIHA to help ensure Hydro bills are paid at Natuashish.

6. Assist in making arrangements to provide the necessary access to Hydro representatives to operate the electrical facilities & distribution system at Natuashish.

In order to adequately provide for the funding required to finance # 1-4 above, we would appreciate Hydro's estimate of costs for each component at your earliest convenience.

If you would like to discuss this in further detail, please do not hesitate to contact the undersigned at (902) 661-6255.

Yours sincerely,



Ian D. Gray
Director
Newfoundland and Labrador Secretariat
Indian & Northern Affairs Canada - Atlantic
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- cc. Chief Simeon Tshakapesh
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