



May 2014

# YORK FACTORY FUTURE DEVELOPMENT

## Keeyask Generation Project Update

### A MESSAGE FROM CHIEF AND COUNCIL

Tansi!

This newsletter presents an update on the Keeyask Project, including information about project approvals and financing. Information about the Conawapa Project will be provided to members at future meetings and in future newsletters.

The Keeyask Project is in the final stages of provincial and federal review by regulators. Approvals to proceed with the Project are expected in the next few weeks. Construction of the Keeyask Generating Station is expected to begin in July, and is expected to take eight years.

Before Construction begins, YFFN will have to make an Initial Closing Payment to secure our investment in the project. This payment of \$449,650 will be due in early July, and will ensure that our First Nation has the opportunity to become an equity partner in (and thus earn revenues from) the Keeyask Project. The Chief and Council are looking for community input as we explore options for financing this payment. We invite you to take part in this decision.

The money YFFN invests at Initial Closing will earn some limited income during Keeyask construction (before the generating station starts selling power). The money will be refunded should YFFN decide not to make any additional investments in Keeyask and to withdraw from the Partnership. YFFN will not have to commit to further investment in Keeyask until construction is completed. At that time YFFN can decide to invest more money in Keeyask or withdraw from the Partnership.

Please have a look at the information in this newsletter, join us at the special community meeting on Monday May 26, and feel free to contact any of the Chief & Council to share your thoughts.

Ekosi!

**York Landing Special Community Meeting on Keeyask Financing**  
**Monday May 26, 10AM to 3PM**  
**George Saunders Memorial School**



*Newly Elected Chief & Council (Left to Right): George Beardy (Councillor), Leroy Constant (Councillor), Ted Bland (Chief), Jeff Beardy (Councillor), Sam Cook (Councillor)*

# KEYYASK UPDATE: REGULATORY REVIEW

## Approvals and Licenses Required for Keeyask

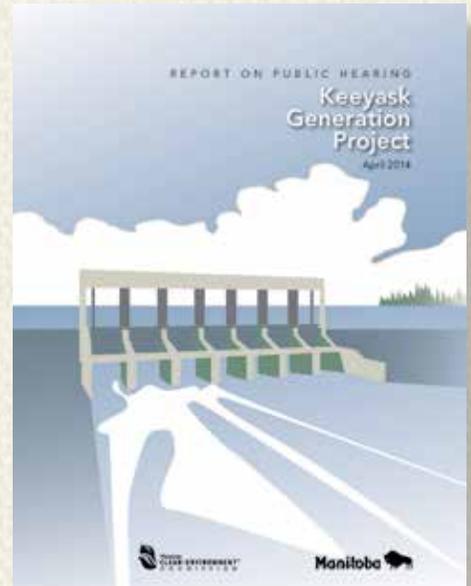
Before construction can begin, the Keeyask Project requires formal approvals from the federal and provincial governments. Federal approvals and authorizations are required under the Canadian Environmental Assessment Act, Navigation Protection Act (formerly the Navigable Waters Protection Act) and Fisheries Act. Provincial approvals and licenses are required under The Environment Act, The Manitoba Hydro Act, The Crown Lands Act, The Water Power Act and The Water Rights Act. The Keeyask Partners are expecting to receive all necessary approvals, authorizations and licenses in June and July.

## CEC (Clean Environment Commission)

In November of 2012, the Clean Environment Commission (CEC) was appointed by the provincial Minister of Conservation (Gord Mackintosh) to review the environmental impact statement (EIS), conduct public hearings, and recommend whether the project should receive a license under The Environment Act. Hearings were held between September 24th 2013 and January 9th 2014 in Gillam, Bird, York Landing, Thompson, Split Lake, Cross Lake and Winnipeg.

Louisa Constant (then Chief), Ted Bland (then Sr. Negotiator), Martina Saunders (Negotiator), and Brad Regehr (YFFN Legal Counsel) spoke at the hearings on behalf of YFFN. YFFN members of the “Kaweechiwasihk Kay-tay-ti-suk” also spoke at the hearings as a ‘Participant’ group.

The CEC submitted its final report to the Minister on April 17th, recommending that the project be approved for a license with various conditions related to mitigation and monitoring of possible effects on lake sturgeon, caribou, moose, a number of bird species, and levels of mercury in the environment. The minister consider the CEC’s report when making the decision whether to grant an Environment Act license. The Keeyask Partnership expects to receive approvals for Keeyask from the Manitoba government in early July.



Read the CEC report at: <http://www.cecmanitoba.ca/hearings/#5>



## CEAA (Canadian Environmental Assessment Agency)

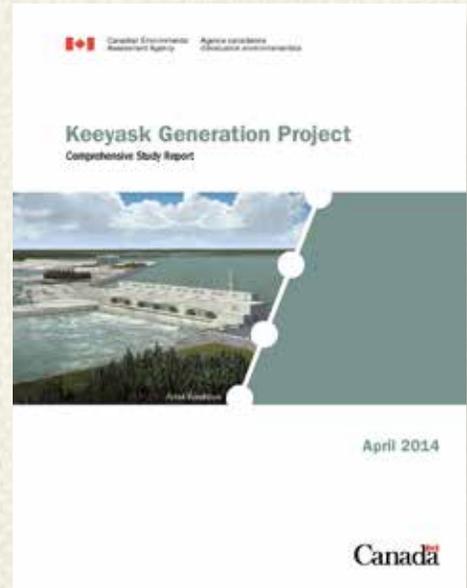
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The Canadian Environmental Assessment Agency is responsible for coordinating the federal environmental review of the Keeyask Project. In February, the CEAA provided YFFN with its draft report on the Project called the Comprehensive Study Report (CSR). YFFN submitted comments on March 26th 2014.

CEAA has now released a second draft of the report for public comment, and YFFN is preparing additional comments. The final CSR will be provided to the federal Minister of the Environment (Leona Aglukkaq), to assist in making a decision about whether to approve the project. In early June, the Partnership expects to receive a decision from the Minister as well as authorizations from the Department of Fisheries and Oceans and Transport Canada.

Read the draft CEAA report at:

<https://www.ceaa-acee.gc.ca/050/documents/p64144/99127E.pdf>



## PUB (Public Utilities Board)

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On April 17th 2013, the Province of Manitoba asked the Public Utilities Board (PUB) to undertake an NFAT (Need For and Alternatives To) review of Manitoba Hydro's Preferred Development Plan (PDP), including:

- Keeyask with an in-service date of 2019;
- 750 MW interconnection to the United States;
- Conawapa with an earliest in-service date of 2026;
- export sale of 250 MW to Minnesota Power;
- export sale of 100 MW to Wisconsin Public Service (WPS);
- export sale of 300 MW to WPS (subject to satisfactory negotiations);

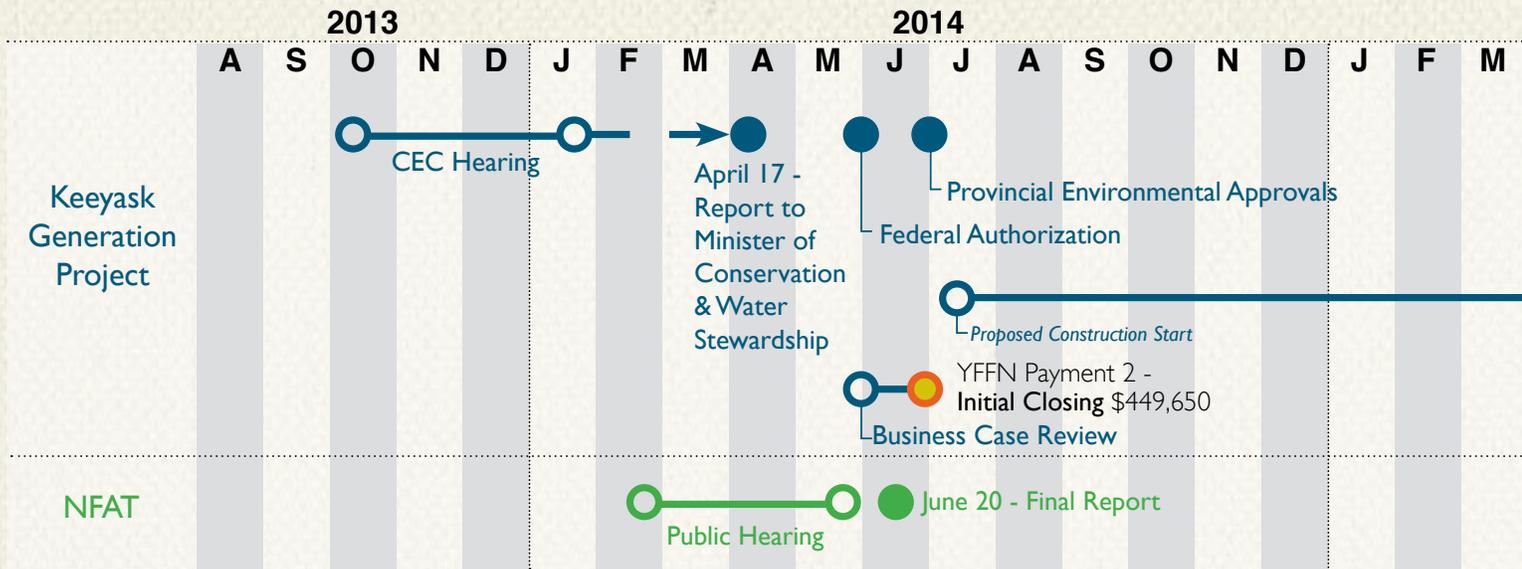
The PUB hired independent experts to analyze the business case for the PDP. There are also several 'Interveners' – groups who have hired their own experts and prepared their own reports (The Consumers' Association of Canada, Manitoba Industrial Power Users Group, Green Action Centre, Manitoba Keewatinowi Okimakanak (MKO), and Manitoba Metis Federation (MMF).

The PUB is currently holding a public hearing where witnesses present information and are then cross-examined. The hearing started on March 3rd and is scheduled to finish on May 26th 2014. Gordon Wastesicoot (then Councillor) made a presentation to the PUB on behalf of YFFN, during a day of public presentations. Ted Bland (then Sr. Negotiator) appeared as a witness on behalf of YFFN and made a brief presentation as part of a panel on 'societal issues'.

The PUB will provide a report to the Minister of Healthy Living, Seniors and Consumer Affairs (Sharon Blady) by June 20, 2014 with recommendations and an overall assessment of whether or not the PDP is in the best interests of Manitoba compared to other options and alternatives.

# KEYYASK UPDATE: REGULATORY REVIEW

## Timeline: Keyyask and NFAT Process



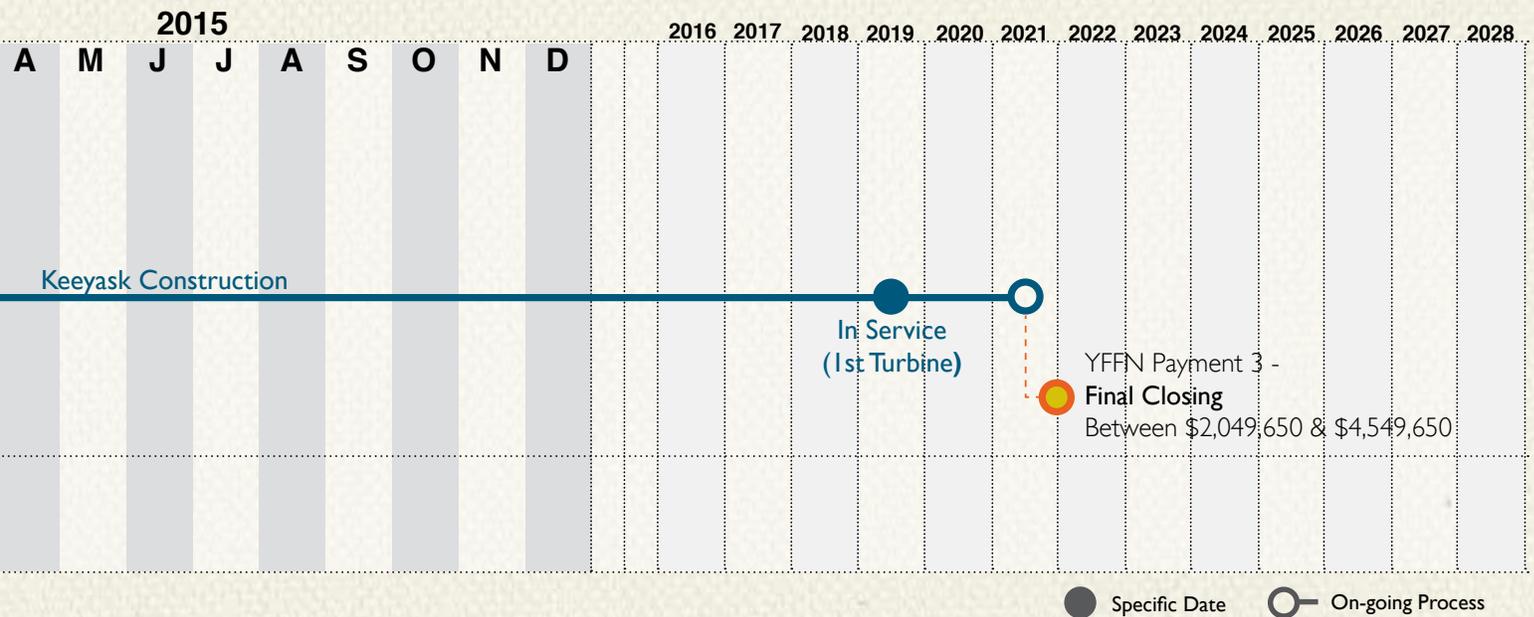
## Schedule of Regulatory Approvals, “Initial Closing” and Start of Construction

As shown in the schedule above, the Keyyask Partnership expects to have all provincial and federal authorizations in place by early July 2014. Once Keyyask obtains the necessary authorizations, an event called ‘Initial Closing’ will take place in early July (described on the next page), and construction is scheduled to begin immediately thereafter. Starting construction this July is important to ensure that construction of the Project’s stage I cofferdam progresses enough to withstand spring break-up in 2015.

## Crown Consultations with Aboriginal People

The Crown, represented by both the governments of Manitoba and Canada, is required to consult with Aboriginal people about any action or decision that might adversely affect the exercise of an Aboriginal or treaty right.

Both Manitoba and Canada have been carrying out consultation processes about Keyyask. The Canadian Environmental Assessment Agency has been coordinating consultations on behalf of the federal government as part of the federal environmental review process. The Aboriginal Consultation Unit (ACU) of the Manitoba Department of Aboriginal and Northern Affairs is carrying out consultations on behalf of the Province. The federal and provincial consultation processes are scheduled to be completed before the end of June.



## YFFN'S INITIAL CLOSING PAYMENT

### Initial Closing

Following regulatory approval, and before beginning construction on the Keyask Generating Station, an event known as the Initial Closing must occur. Initial Closing is scheduled for July 8th (with July 10th being held as a back-up date). Initial Closing is an event at which a number of key documents are signed and monies are paid by the limited partners to the Keyask Hydropower Limited Partnership.

Some of the key documents to be signed are:

- Project Financing Agreement (signed by Keyask Hydropower Limited Partnership and Manitoba Hydro)
- Cree Nation Financing Agreements (signed by each First Nation's investment entity and Manitoba Hydro)
- Assignment and Transfer of Pre-Closing Assets and Liabilities (signed by the KHLP and Hydro)
- Assignment of Adverse Effects Agreements to KHLP (signed by KHLP and Hydro)
- Assignment of obligations under Interconnection and Operations Agreement (signed by KHLP and Hydro)
- Power Purchase Agreement (signed by KHLP and Hydro)
- Construction Agreement (signed by KHLP and Hydro)

YFFN's investment entity, the York Factory First Nation Limited Partnership (YFFNLP) will be signing a Financing Agreement on behalf of YFFN.

# YFFN'S INITIAL CLOSING PAYMENT

## Initial Closing Payment

In addition to signing the documents, all of the limited partners to the KHLP (Manitoba Hydro, YFFNLP, the Fox Lake, and the Cree Nation Partners (TCN and WLFN) investment entities), will have to make a payment to the KHLP. YFFNLP's original Subscription Payment of \$350 was made in 2009 when the JKDA was signed. For YFFNLP, the Initial Closing payment will amount to \$449,650. These monies ensure that YFFN (through the YFFNLP) will have the opportunity to become an equity partner in (and thus earn revenues from) Keeyask at the end of construction. At that time, a Final Closing Payment will be required. The decision to become an equity partner will not have to be made until the construction is complete, or in approximately eight (8) years.

## Financing YFFN's Initial Closing Payment

In terms of the \$449,650, there are limitations (set out in the JKDA) on what funds may be used. YFFN can use its own funds, or borrow funds from certain funding sources, as long as the lender cannot go after YFFN's ownership of the YFFNLP or the KHLP units owned by YFFLP.

Chief and Council, Future Development, and their advisors are currently evaluating options for financing the payment. It is quite possible that YFFN will draw on a combination of funding sources to provide the full \$449,650 amount. A number of possible funding sources are described below.

We are interested in hearing from community members about your preferences among these options, or any other options that you may be aware of.

### Option:

#### Loan from the First Peoples Economic Growth Fund (FPEGF)

First Peoples Economic Growth Fund is an economic development initiative by the Province of Manitoba and the Assembly of Manitoba Chiefs. This organization has a mandate to provide financing to support Manitoba First Nation business proposals that are economically viable. An application has been submitted by YFFN under the Resource and Energy Investment Program. Under this program, First Peoples can only provide up to 50% of the total amount required. This means the total amount requested cannot exceed \$224,825.

### Option:

#### Loan from the Communities Economic Development Fund (CEDF)

The Communities Economic Development Fund is a Manitoba Crown Corporation with a mandate to encourage economic development in Northern Manitoba through the provision of financial assistance, such as loans and guarantees, and other forms of technical assistance. A request has been sent to CEDF for a loan of \$180,000.

### YFFN Proposal Declined:

#### Loan from Aboriginal Affairs and Northern Development Canada (Land and Economic Development Prioritization Framework)

YFFN submitted a proposal to Aboriginal Affairs and Northern Development Canada's (AANDC) Land and Economic Development Prioritization Framework (LEDPF) program in December 2013. The LEDPF is a national initiative that was developed to identify the most promising economic opportunities across the country. On May 12, 2014, YFFN received official word that the proposal had not been accepted.

## Repayment of Loan(s)

If YFFN is able to borrow money towards the Initial Closing payment the loans will have to be repaid. If repaid over a period of eight (8) years, YFFN would have to commit \$50,586 ( $\$404,685 \div 8$ ) per year to loan repayment over the 8 year period. YFFN has two Trusts that could be utilized to assist in financing repayment of loans for the Initial Closing payment. They are:

i) 1995 Trust (Kitche-Waskahigan Trust)

YFFN may be able to “forward commit” the required \$50,625 annual amount for up to eight years. YFFN staff and advisors are currently exploring this option.

ii) Keeyask Adverse Effects Trust (Apit Seepee Trust)

YFFN could reduce the Guaranteed Annual Amount paid through the Keeyask AEA in order to increase Residual Compensation. The Residual Compensation could then be applied against any loans. YFFN must give notice to Manitoba Hydro of its intent to modify the payments. YFFN also must hold a public meeting and a vote of members in the meeting to approve the modification.

### Option:

#### YFFN’s Keeyask Adverse Effects Agreement

YFFN could access funds through the YFFN Keeyask Adverse Effects Agreement (AEA) and the YFFN Apit Seepee Trust. Money from YFFN’s Apit Seepee Trust could be used to pay all or a portion of the Initial Closing payment. Funds could also be used to repay money borrowed from an eligible financial institution (see section above on repayment of loans), or a combination of both.

YFFN is currently receiving approximately \$500,000 per year in Guaranteed Annual Amount funds from the Trust to be used for offsetting programs. The YFFN AEA also provides for payment of Residual Compensation. YFFN received \$490,000 in Residual Compensation last year. YFFN has the option to increase this Residual Compensation

amount, with a corresponding reduction of the Guaranteed Annual Amount. The additional Residual Compensation could then be used for the Keeyask investment.

In order to make such a change to the Residual Compensation, YFFN must follow a specific process set out in the Apit Seepee Trust agreement. YFFN must provide Hydro with notice of its intent to make the change. YFFN must also have a meeting of members and hold a vote to see if the assembled members support such a change, and if the members support the release of Residual Compensation funds for investment in Keeyask. The meeting requires 14 days notice and a trustee of the YFFN Apit Seepee Trust must be present for the meeting and vote.

## Key Changes following Initial Closing

Following Initial Closing YFFN and the other Keeyask Partners will appoint their representatives on the Keeyask Board of Directors. YFFN will have one representative on the Board of the Keeyask Hydropower Limited Partnership. On or before the Initial Closing Date the Construction Advisory Committee and Monitoring Advisory Committee will be established. The Advisory Group on Employment will be established after construction start. YFFN will have one representative on the Construction Advisory Committee, the Monitoring Advisory Committee, and the Advisory Group on Employment. YFFN’s representative to the Monitoring Advisory Committee will also attend meetings of the Keeyask Caribou Coordination Committee with three additional YFFN representatives (4 total). YFFN will need to appoint its representatives to the Keeyask Board and Committees.



# **YORK FACTORY FUTURE DEVELOPMENT**