

**LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
10TH ASSEMBLY, 7TH SESSION**

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Northwest Territories Minister of Energy, Mines and Resources

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June 26/86

LEGISLATIVE ASSEMBLY MEMBERS

Yesterday you expressed an interest in receiving a copy of the Transition Management Agreement which we are entering into with Northland Utilities (NWT) Limited. This agreement, unfortunately, is not available for release at this time, but what I can provide is a summarized account of the information contained within the agreement.

The purpose of the agreement is to assist the Government of the Northwest Territories during the transition period which begins immediately and extends to the date of NCPC acquisition. It is understood that if the GNWT cannot reach agreement with the federal government on the transfer of NCPC, that this agreement can easily be terminated.

The Government of the Northwest Territories may be reviewing a number of alternative methods of involving native and northern business interests in the electrical Utility industry. Nothing in the Transition Agreement with Northland in any way restricts this review or limits the potential options available.

It is agreed that the GNWT and Northland, during the term of the Transition Services Agreement, will attempt to negotiate a "post-acquisition" management services contract. We have not yet begun discussions on the exact nature of this management services contract, but I envision a Northland management fee based on a number of mutually agreed performance measurement criteria, designed to promote Utility efficiency and reduce cost. As well, both parties have already agreed that contract management services should include a provision for renegotiation in the event that division occurs.

What follows is a short list of the major activities that Northland will be undertaking on behalf of the Government of the Northwest Territories during the transition period as well as an explanation of how fees will be charged. Understandably, some of these activities such as the transition of account procedures will not occur until negotiations with Northland and the federal government are adequately advanced.

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A second section on post-acquisition contract activities has been included to give you an indication of the types of concerns the Government of the Northwest Territories will be addressing in its discussions with Northland.

Finally, I have provided a chart which lays out the list of activities Northland will be doing on behalf of the GNWT and the approximate dates on which these activities will begin. I trust this information gives you a good background with which to assess the reasonableness of the Transition Management Agreement that we are entering.

Tagak Curley,
Minister.

Attachments

NCPC DEVOLUTION

NUL Transition Activities

1. Attending and/or providing analysis for intergovernmental NCPC devolution negotiations.
2. Reviewing the financial position, providing input where appropriate.
3. Coordinating activities with Yukon as requested.
4. Develop transition period action plan including management objectives, timeframe, legal and political requirements, operational and financial considerations, rationalization plan, and evaluation of current NCPC management functions.
5. Prepare a personnel plan including personnel training and development.
6. Prepare plans for the transition of all existing NCPC functions to the contract operator including capital planning, accounting, billing, rate filing, inventory, warehousing, purchasing, insurance, engineering, and operating.
7. Evaluation of assets as requested.
8. In preparation for post-acquisition activities, the contractor will prepare an O&M and capital budget and a rate hearing application.
9. Develop reporting and control procedures.

Fees

1. Salaries and wages would be charged at cost plus 50% for related benefits.
2. Receipted disbursements and expenses.
3. No costs will be charged without prior approval of the GNWT and the contract operator will provide a budget of anticipated costs.

4. All transition period fees will be placed in a deferral account until Utility transfer occurs.
5. No fee for senior management time will be charged.

Post-Acquisition Contract Operations

1. If NCPC is transferred;
If transition period performance is satisfactory;
If a contract operations agreement can be negotiated in the transition period then

the GNWT would enter into a contract operator agreement which would include at least the following terms:
 1. Implementation of transition period plans.
 2. A method of management control consistent with GNWT policies and procedures.
 3. The contractor shall operate and maintain plant and equipment, construct facilities, bill customers, provide service, purchase goods and services, manage employees, and obtain all normally required approvals, licenses and permits in accordance with direction from the Northwest Territories Executive Council.
 4. The contractor shall provide planning mechanisms such as budgets at regular intervals in a manner directed by the Northwest Territories Executive Council.
 5. Provisions for operations efficiency and asset care will be determined and implemented from time to time. Such provisions could include audit provisions and Acts of general application.

TRANSITION PLAN
P.E.R.T. CHART

LEGEND
 DURATION OF ACTIVITY
 CONTINUING ACTIVITY
 START ACTIVITY
 FINISH ACTIVITY

