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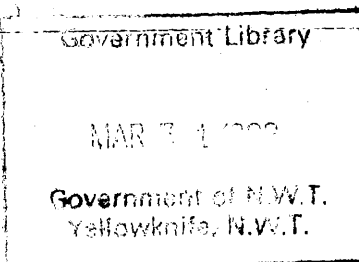
Northwest Territories

Territoires du Nord-Ouest

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AGREEMENT IN PRINCIPLE FOR SALE OF NCPC TO NORTHWEST TERRITORIES GOVERNMENT RELEASED

Yellowknife (March 29, 1988) – An agreement in principle governing the sale and acquisition of the Northern Canada Power Commission from the federal government to the Government of the Northwest Territories has been approved by the federal Cabinet. The announcement was made today by the Honourable Bill McKnight, Minister of Indian Affairs and Northern Development and the Honourable Nellie Cournoyea, NWT Minister of Energy, Mines and Resources.

NCPC is a federal Crown Corporation and has been the principal agency in generating and transmitting electrical power in the Northwest Territories. Yukon assets of NCPC were sold and transferred to Yukon government control on March 31, 1987.

The sale of the remaining operations of NCPC to the Government of the Northwest Territories is now in the final stages. In early February, the federal and territorial ministers agreed to the basic principles for the transfer of NCPC subject to approval by their cabinets. Work on a detailed acquisition agreement is underway. Legislation allowing for the sale and transfer is proceeding in both governments.

Among the details of the agreement in principle are financial arrangements, personnel matters, and housing.

"It is important to underline the commitment of the Government of Canada to the people of the Northwest Territories in their goal of achieving political and economic responsibility," said Mr. McKnight. "Our government is acting in a reasonable and responsible fashion to help accomplish the sale and transfer of NCPC as soon as possible."

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"By releasing the agreement in principle now," says Ms. Cournoyea, "we are doing our best to inform the people of the Northwest Territories about our considerable progress and to reassure employees of the Northern Canada Power Commission."

Federal and territorial officials will be prepared to conclude the final agreement for acquisition of the Northern Canada Power Commission as soon as legislation is passed.

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**Principles Governing the Sale and Transfer of the
Northern Canada Power Commission (NCPC)
to The Government of the Northwest Territories (GWT)**

The Honourable Bill McKnight, Minister of Indian Affairs and Northern Development (IAND), and The Honourable Nellie Courmoyea, Minister of Energy, Mines and Resources of the Government of the Northwest Territories (GWT), agree to recommend to their respective governments the following principles governing the sale and transfer (transfer) of NCPC to the GWT.

1. Transfer Date

- 1.1 Both parties agree to make best efforts to obtain all necessary and appropriate government and legislative approvals to effect the transfer by the target date of March 31, 1988. The principles described in this document assume that the transfer will take place on that date.
- 1.2 Both parties agree that the principles outlined in this document will form the basis for preparing the Acquisition Agreement. The Acquisition Agreement will be executed by the federal government, the GWT, NCPC and the GWT's crown corporation utility assigned by it to take over NCPC.

2. Viable Operations

- 2.1 Both parties understand that NCPC is currently providing electrical and other utility services in the NWT on a commercially viable basis. The federal government and the GWT are satisfied that the utility after the transfer to the GWT will continue to be operated on such a commercially viable basis.
- 2.2 Both parties acknowledge that it is the desire of the GWT to relocate NCPC's Head Office from Edmonton to the NWT after the transfer. The GWT agrees that the relocation will be accomplished with the objective of providing efficient electrical utility services to NWT consumers.

3. Going Concern Sale

- 3.1 Both parties agree that the transfer of NCPC is a commercial transaction between the federal government and the GWT and that the transfer of NCPC constitutes the sale of an electrical utility as a going concern.

- 3.2 The transfer will be a sale of shares of NCPC and, to that end, the transfer will be completed only upon the passage of appropriate federal and GWT legislation.

4. Financial

- 4.1 The parties have agreed to a cash price of \$ 53 million. The federal government will convert the remaining NCPC debt owing to the federal government to equity and transfer this equity to the GWT.
- 4.2 The federal government agrees to process the necessary Order-in-Council to extend GWT's borrowing limits, at its request, for the purpose of acquiring NCPC and for financing the planned capital expenditures of the utility for 1988-89. The GWT agrees to provide all the information to prepare and process such an Order.
- 4.3 Subject to the exclusions listed in paragraph 5.1 the price includes any and all of NCPC's assets, liabilities, commitments, charges and agreements and there will be no material adverse change to the assets and liabilities as shown on a December, 1987 unaudited financial statement of NCPC. The GWT acknowledges that on March 31, 1988 NCPC will pay to the federal government all interest and principal due on that date on loans from the federal government.
- 4.4 The transfer is conditional upon no borrowings being made by NCPC prior to the transfer date, unless agreed to between the parties.

5. Exclusions

- 5.1 The parties agree that prior to the transfer date, NCPC will transfer to the federal government:
- a) any and all remaining assets and liabilities relating to Field, B.C. and Yukon operations; and
 - b) the capitalized value of pensions earned and associated administrative costs under the Government Employees Compensation Act.

6. NCPC's Capital Program

- 6.1 The GWT hereby acknowledges that NCPC's proposed capital program for 1988/89 is approximately \$25 million and is aware that normal financial commitments will be made by NCPC prior to its transfer.

14. Personnel

- 14.1 The fair and equitable treatment of NCPC employees is a major objective of the parties. The GWT agrees to consult with NCPC employees or their authorized representatives on the transfer process. The parties will ensure that the transfer occurs with a minimum of disruption to NCPC employees. There shall be continuity of employment for all employees of NCPC on staff at the date of transfer and there shall be no interruption in their employment resulting from the transfer.
- 14.2 NCPC, or its successor, will form part of the Government of the Northwest Territories and employees of NCPC on staff at the date of transfer shall be employees of the Northwest Territories Public Service and be subject to the Northwest Territories Public Service Act.
- 14.3 The parties will ensure that an equivalent compensation and benefits package for employees is maintained.
- 14.4 All NCPC employees will retain entitlement to vested severance benefits.

15. Superannuation

- 15.1 The pension arrangements provided by the GWT through the GWT legislation will, as currently exist for other GWT employees, be covered under the PSSA. The Federal Government's agreement in this regard is subject to GWT legislation, satisfactory to the federal government, to ensure continued coverage of employees under the PSSA.

16. Housing Units

- 16.1 Both parties agree that housing is necessary for the continued operation of the utility and, in principle, Public Works Canada (PWC) housing will be transferred to the GWT utility at no cost as part of this deal. The parties also agree that the transfer of PWC housing units in each community will be based on the principle of equivalency in the number and value of those units currently occupied by or currently allocated for the use of NCPC employees. In the case of housing units occupied by NCPC employees and held by PWC under lease from the GWT, these leases will be assigned to the GWT utility. In the case of housing units held by PWC under lease from third parties other than GWT, these leases will be assigned to the GWT utility subject to the agreement of the third party. The parties acknowledge that the issues of timing, specific units for transfer, and leases must be resolved in the most practical way possible. Both parties agree to make best efforts to minimize any dislocation to employees of NCPC.

7. Electrical Subsidies

7.1 The federal government will end its funding of the Federal Power Support Program and the Commercial Power Rate Relief Program effective April 1, 1988 and will no longer be financially responsible for any such electrical subsidization in the NWT.

8. Utility Regulation

8.1 After the transfer, the electrical utility operations will be subject to regulation by a regulator appointed by the GNWT.

9. Formula Financing

9.1 Borrowings, revenues and expenditures of the GNWT's electrical utility and of the GNWT from or relating to its electrical utility will have no impact on NWT's formula financing arrangements currently in place with the federal government.

10. Future Capitalization of NCPC

10.1 Future capital projects of the GNWT's utility will be financed by funds raised from sources other than the federal government.

11. Inuvik Utilidor

11.1 Nothing in this agreement will affect the ownership of or responsibility for the Inuvik utilidor.

12. Private Sector Role

12.1 Within six months after closing, the GNWT agrees to develop an options paper for consideration by the Executive Council which outlines options for involving companies or individuals in the provision of electricity in the NWT. These options will include, among others, equity position(s) which might be held by the private sector in the GNWT's utility, and determining an optional arrangement whereby the private sector could finance, develop and own future electrical projects in the NWT.

13. Representations and Warranties

13.1 The final agreement will contain representations, warranties and conditions by the federal government that it has the capacity to make, and which are common in share purchase transactions.

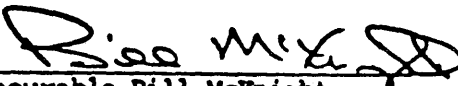
- 17.5 To the extent that the lands covered by such interests are unsurveyed, GNWT will have the right, if reasonably required, at no cost to the federal government, to have those lands surveyed and to obtain from the federal government, for lands under its control, such documentation as may be appropriate to register the utility's interests.
- 17.6 The cost of surveys, sketches, registration and other similar requirements will be for the account of GNWT's utility.
- 17.7 Both parties agree that existing water licenses issued to NCPC will continue to be, after transfer, free of any water license fee and water use fee. The same provision will apply to water licenses issued to the NWT utility in the future except where federal legislation affecting all jurisdictions North of 60° prohibits such an exemption.


18. Transfer of Records and Files

- 18.1 Both parties agree that transfer of NCPC records and files, etc., to the GNWT utility will be accomplished in a manner that is consistent with federal laws, statutes and regulations.

19. Confidentiality and Joint Communique

- 19.1 Both parties agree to treat the principles contained herein as confidential until the federal cabinet and the GNWT Executive Council have formally approved these principles, at which time a joint communique directed at NCPC employees, their representatives and the general public will be agreed to by both parties for the purpose of release.


Honourable Bill McKnight
Minister of Indian Affairs
and Northern Development


Honourable Nellie Cournoyea
Minister of Energy, Mines
and Resources

Signed on February 8, 1988.

Signed on February 8, 1988.

- 16.2 The GWT agrees that any sale within 10 years after the date of transfer of FWC houses transferred from the federal government be at fair value and the sale proceeds be remitted to the federal government within 90 days of the sale except where such proceeds are used to acquire substitute housing for the utility employees.
- 16.3 Both parties agree that the transferred houses are intended solely for the use of the employees of the utility but recognize that such houses may be used by other employees of GWT where necessary for efficient use of government housing.

17. Lands and Water

- 17.1 Upon transfer, the GWT's utility will continue to enjoy the same access to and use of lands, within the federal government's control, as NCPC enjoyed before the transfer. The GWT will ensure that its utility has sufficient and valid authority to acquire legal interests in lands.
- 17.2 As soon as is practical prior to closing, DIAND and GWT will assist NCPC in the preparation and finalization of an inventory of lands owned or used by NCPC for the purpose of utility operations.
- 17.3 Within a mutually agreed upon time period after the transfer, the GWT and the federal government agree to do all that is necessary to prepare appropriate documentation for lands under their respective control providing the GWT's utility with appropriate interests, such as fee simple title, easements, licenses and leases for its facilities, which include:
- Housing Units
 - Transmission Lines
 - Dams
 - Diesel Plants
 - Distribution Lines
 - Flooding Areas.
- 17.4 The federal government acknowledges that the GWT utility will be seeking interests in land similar to those of a private company operating in the NWT and these interests will be described in the final agreement.