

December 22, 2010

The Honourable John Duncan, P.C., M.P.  
Minister, Indian and Northern Affairs Canada  
MINISTER'S OFFICE  
10 Wellington St. North Tower  
Hull, P.Q., K1A 0H4

Dear Minister Duncan;

**Re: Report of Environmental Assessment and Reasons for Decision; EA0708-007;  
Deze Energy Corporation's Taltson Hydroelectric Expansion Project**

I wish to acknowledge your letter of December 10, 2010 regarding the Review Board's Report of Environmental Assessment of the proposed Deze Energy Corporation's Taltson hydroelectric expansion project. Your letter indicates that the Responsible Ministers have agreed "to return the Report for further consideration on the basis that no final transmission line route has been proposed or assessed for potential significant impacts and as a result, the Review Board's environmental assessment is incomplete." We have also noted the additional comments you have provided with respect to Measures 1 to 5 and have taken them under advisement.

The Review Board intends to respond to the comments and direction you have provided as expediently as possible. Board members will be meeting in early January to discuss next steps. Parties to the environmental assessment will be advised of the process steps to be followed including a work plan and schedule by mid-January.

However, the Review Board is concerned Responsible Ministers deemed the report of environmental assessment incomplete. The paramount concern with respect to the routing of the transmission line around the east arm of Great Slave Lake was regarding cultural impacts to the traditional aboriginal use of the area. Since the Review Board was not presented with a specific routing alignment that was acceptable, it chose to identify the general area as acceptable for routing the transmission line except for crossing the Lockhart River. The Board considered it inappropriate to make that decision for the developer during the environmental assessment by requiring a specific alternate alignment be proposed.

At the same time the Board did not believe it would be productive to reject the development thereby forcing the project to an environmental impact review in which alternative routings could be more thoroughly examined. A decision to elevate the



assessment to a review would add considerable time and expense before a decision could be made for an otherwise acceptable project to proceed. In attempting to balance the project benefits overall and the specific adverse cultural impacts of the proposed development, the Board sought a pragmatic and expeditious approach to resolve the matter.

After considerable discussion and deliberation the Review Board decided that the more effective and efficient approach would be to encourage a dialogue between the aboriginal parties and the developer to find an acceptable routing around the east arm of Great Slave Lake that did not cross the Lockhart River at any point, from the river mouth including the spiritual gathering site to Artillery Lake. This approach is not inconsistent with that of other environmental assessments where the Review Board recommended that for certain proposed mineral exploration developments that specific drill hole locations be determined by the developer in consultation with a qualified archeologist and Aboriginal elder. The Board did not consider an advisory committee for the purposes of identifying known archaeological sites as a delegation of decision-making.

The Review Board's deliberations are now a matter of public record and the developer may now be in a better position to propose a specific routing proposal that passes through an area unlikely to create a significant adverse cultural impact to aboriginal people who have traditionally used the area.

That being said Board members are eager to address the concerns and direction you have provided and will be reporting back to you in due course.

In closing, I would like to extend our best wishes of the season to you for a Merry Christmas and a healthy and safe New Year. All the best in 2011!

Sincerely,



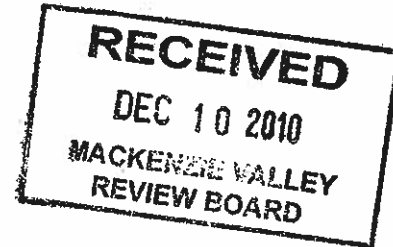
Richard Edjericon  
Chairperson

CC: The Honourable Chuck Strahl, PC, MP  
The Honourable John Baird, PC, MP  
The Honourable Christian Paradis, PC, MP  
The Honourable Gail Shea, PC, MP  
The Honourable Michael Miltenberger, MLA



DEC 10 2010

Mr. Richard Edjericon  
Chair  
Mackenzie Valley Environmental  
Impact Review Board  
PO Box 938  
YELLOWKNIFE NT X1A 2N7



Dear Mr. Edjericon:

**Re: Report of Environmental Assessment and Reasons for Decision:  
EA0708-007: Dezé Energy Corporation's Taltson Hydroelectric  
Expansion Project**

On behalf of the Responsible Ministers for departments with jurisdiction over the Dezé Energy Corporation Taltson Hydroelectric Expansion Project (the Project), which include: Indian and Northern Affairs Canada, Environment Canada, Fisheries and Oceans Canada, Natural Resources Canada, Transport Canada, Parks Canada and the Government of the Northwest Territories – Environment and Natural Resources, I am writing to convey our decision on the recommendation that was made by the Mackenzie Valley Environmental Impact Review Board (the Review Board) pursuant to sub-paragraph 128(1)(b)(ii) of the *Mackenzie Valley Resource Management Act* (the Act).

In its Report of Environmental Assessment and Reasons for Decision (the Report), the Review Board recommended that the Project be approved subject to the implementation of specified measures to prevent potential significant adverse impacts to the environment.

The Responsible Ministers have carefully reviewed the Report and the Review Board's recommendation and have determined that the Report should be returned to the Review Board for further consideration, pursuant to sub-paragraph 130(1)(b)(i) of the Act.

The Responsible Ministers have determined that the Report (and therefore, the Review Board's decision pursuant to section 128 of the Act) is incomplete. The scope of the proposed development and the scope of the environmental assessment as determined by the Review Board include the expansion of the hydroelectric facility, plus the construction of a transmission line. The Report fails to fully assess the potential impacts of a transmission line as a necessary part of the development, and therefore, the assessment of the development is incomplete.

.../2

Canada

Although we consider the environmental assessment to be incomplete, to assist the Review Board, we provide the following comments in regard to the Measures contained in the Report.

**Measures 1 and 2:**

The Responsible Ministers do not object to Measures 1 and 2 as written. However, we wish to provide clarification that Indian and Northern Affairs Canada (INAC) cannot issue a lease on the east side of the Slave River, on Crown Land, since these lands are temporarily withdrawn from disposal during comprehensive claim negotiations.

**Measure 3:**

The Responsible Ministers support Measure 3 in principle, but request that the Review Board reconsider the wording of each of the parts to add clarity.

With regard to *Part (i)*, the Responsible Ministers request that the Review Board consider adding the monitoring of water birds to the adaptive management plan, recognizing specifically the status of the Horned Grebe as a species of Special Concern by the Committee on the Status of Endangered Wildlife in Canada. The Responsible Ministers would also request the Review Board to consider the inclusion of fish and fish habitat to this measure in order to encourage the development of one comprehensive adaptive management plan that addresses all environmental components of concern in Trudel Creek. Sections of the adaptive management plan pertaining to fish and fish habitat could be harmonized with conditions of a *Fisheries Act* authorization.

With regard to *Part (ii)*, the Responsible Ministers request that the Review Board quantify the additional bypass capacity required at the Twin Gorges facility, and seek additional information in this regard, if required.

**Measures 4 and 5:**

Measures 4 and 5 are inter-related and are considered together.

Measure 4 states that the developer may not place a transmission line across the Lockhart River, anywhere from the mouth of the river at Fort Reliance, to Artillery Lake.

This measure removes from consideration the primary route proposed by Dezé as part of the development assessed during the Review Board's environmental assessment.

.../3

In response to public concerns raised at the Public Hearing, Dezé presented two alternative transmission routes which the parties and the general public had an opportunity to comment on as part of the environmental assessment of the proposed development. One indicated a crossing of the Lockhart River near Artillery Lake, and the other indicated a crossing of Great Slave Lake near Fort Reliance. Measure 4 not only rejects Dezé's proposed and preferred Lockhart transmission line route, but also eliminates the Artillery Lake alternative. Dezé was clear in its final submission of May 12, 2010, that the remaining Reliance route option is not the Project's proposed transmission line route. As a result, the Responsible Ministers conclude that the Project's transmission line route remains unknown.

Without a proposed and accepted route, the Review Board, via Measure 5, leaves the decision to determine a transmission line route to a committee. Unless expressly authorized to do so, a tribunal may not delegate its powers to another body and there are no provisions in the Act to authorize the Board to do so. The Responsible Ministers do not accept that an environmental assessment of, and a decision on, a final transmission line route can be delegated by the Review Board to a routing committee and conclude that the Review Board is improperly delegating its responsibilities under the Act in doing so.

The Responsible Ministers further agree that while the Review Board solicited additional information specific to the Reliance route, the Report does not specifically analyze or make any determinations regarding the potential significant impacts of this route. As Crown representatives, the Responsible Ministers also agree that more information is required from potentially affected Aboriginal groups, in particular the Lutsel K'e Dene First Nation, in order to be able to assess potential impacts to established or potential Aboriginal or Treaty rights of any transmission line route besides the proposed Lockhart River route.

The Terms of Reference for the Project's Developer's Assessment Report as set by the Review Board define the scope as follows (p.4):

"The expansion of hydroelectric generation facility and the establishment of an electricity transmission line, as well as activities or structures associated with the principal development, from pre-construction to closure and reclamation."

The scope of this development clearly includes both (i) expansion of the hydro facility and (ii) the construction of a transmission line. The Responsible Ministers are of the opinion that since the assessment concerning the transmission line has not been completed, the assessment as a whole cannot be concluded.

.../4

The Responsible Ministers have carefully considered the Report and have provided the Review Board with their analysis of the recommendation and measures. The Responsible Ministers suggest that the Review Board consider means of obtaining additional information from the developer and the potentially affected parties, including Aboriginal groups, land owners and rights holders in the area, in order to address the deficiencies we have noted. We expect that this additional information will assist the Board in conducting a complete assessment of the potential significant impacts on the environment of any alternatives proposed by Dezé, and will result in the determination of the transmission line route.

In the meantime, the Responsible Ministers agree to return the Report for further consideration on the basis that no final transmission line route has been proposed or assessed for potential significant impacts and as a result, the Review Board's environmental assessment and Report are incomplete.

For this environmental assessment, I have taken the liberty of sending a copy of this correspondence to the other Responsible Ministers: the Honourable Chuck Strahl, Minister of Transport, Infrastructure, and Communities; the Honourable Jim Prentice, Minister of the Environment and Minister responsible for Parks Canada; the Honourable Christian Paradis, Minister of Natural Resources; the Honourable Gail Shea, Minister of Fisheries and Oceans; and the Honourable J. Michael Miltenberger, Minister of Environment and Natural Resources, Northwest Territories.

Sincerely,



John Duncan, PC, MP

c.c.: The Honourable Chuck Strahl, PC, MP  
The Honourable John Baird, PC, MP  
The Honourable Christian Paradis, PC, MP  
The Honourable Gail Shea, PC, MP  
The Honourable J. Michael Miltenberger, MLA