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A G R E E M E N T

BETWEEN

THE GOVERNMENT OF THE PROVINCE OF BRITISH COLUMBIA

AND

ALUMINUM COMPANY OF CANADA, LIMITED

Dated: 29th December 1950

THIS AGREEMENT made the 29th day of December A.D. 1950

BETWEEN:

HIS MAJESTY THE KING in right of the Province of British Columbia (hereinafter called the GOVERNMENT), represented herein by the Minister of Lands and Forests of the said Province (hereinafter called the MINISTER) duly authorized by Order-in-Council No. 2883 under the authority of the "Industrial Development Act".

OF THE FIRST PART:

AND

ALUMINUM COMPANY OF CANADA, LIMITED, a Company incorporated under the laws of Canada, having its Head Office in the City of Montreal in the Province of Quebec and duly registered in the Province of British Columbia, having an office in the City of Vancouver, British Columbia (hereinafter called ALCAN) and represented herein by its proper officers duly authorized by resolution of its Board of Directors dated 22nd December 1950.

OF THE SECOND PART:

WITNESSETH THAT:

WHEREAS the prosperity of British Columbia depends on the development of its natural resources, the expansion of its industry and the establishment of new centres of population within the Province, and

WHEREAS the remote unrecorded waters hereinafter referred to as the Eutsuk and Tahtsa water power are natural resources capable of producing great quantities of electric power, and

WHEREAS the GOVERNMENT is unwilling to provide and risk the very large sums of money required to develop those water powers to produce power for which no market now exists, or can be foreseen except through the construction of facilities for the production of aluminum in the vicinity, and

WHEREAS the GOVERNMENT desires ALCAN to investigate the possibilities of the said water powers for aluminum production, to develop the natural resources of the Province and to establish an economically sound and prosperous business in the Province, and

WHEREAS ALCAN is willing to consider the construction of a large aluminum plant including the required power development at a location where it will have assurance that it may continue to import its raw materials, generate low-cost electric power to process such materials and export aluminum at sufficiently low prices to compete with aluminum and other materials in distant and protected markets with a reasonable expectation of adequate reward for the risks inherent in the business, and

WHEREAS ALCAN has financed and established and is operating large plants in prosperous communities for the generation and use of great quantities of electric power to process imported ore into aluminum, which is largely sold abroad, and

WHEREAS the construction of such an aluminum plant at or near the site of the said water power would accomplish, without investment by or risk to the GOVERNMENT, the development of power, the establishment of a permanent industry, and the beginning of a new centre of popula-

tion, and

WHEREAS His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, has authorized the Lieutenant-Governor-in-Council to make, and the Minister to execute, an agreement to advance that end, on such terms as the Lieutenant-Governor-in-Council deems advisable and in the best interest of the Province.

NOW THEREFORE in consideration of these premises and of the mutual covenants, provisions and conditions hereinafter set forth and pursuant to the powers conferred upon the Lieutenant-Governor-in-Council by the "Industrial Development Act", the parties hereto agree as follows:

1. Licence and Permit

The GOVERNMENT grants to ALCAN the right, and a licence or licences and a permit or permits under the "Water Act", to store and to use by diversion and otherwise, those unrecorded waters called the Eutsuk and Tahtsa water power and to occupy all Crown Lands pertinent to the full development and operation of the said water power which is identified and described in the forms entitled "Conditional Water Licence" and "Permit authorizing the Occupation of Crown Land" appended hereto and made a part hereof.

ALCAN may in due course submit to the GOVERNMENT detailed plans and descriptions prepared by a qualified land surveyor showing exactly the Crown Lands required by ALCAN for flooding and, or, other purposes in respect of the Works (as hereinafter defined in Section 3 hereof) and the parties hereto will forthwith execute a supplementary agreement identifying such plans and descriptions which agreement and plans and descriptions shall be appended hereto and made a part hereof.

The GOVERNMENT hereby authorizes the Comptroller of Water Rights and the Minister to issue under the "Water Act", subject to the provision of Section 14 hereof, the said licence or licences and permit or permits, and will from time to time execute and deliver or cause to be executed and delivered any and all further instruments that ALCAN

may reasonably request to confirm or implement the rights, licences and permits hereby granted.

2. Cancellation of Licence and Permit

If ALCAN commences construction of the Works (hereinafter defined) before 1st June 1953, and installs at the Works generating equipment having a capacity of not less than 400,000 horsepower before 1st January 1963, ALCAN'S rights hereunder (including ALCAN'S rights under the said licence or licences and permit or permits in respect of the aforesaid water power) may not be reduced prior to 1st January 1983 for any cause other than default by ALCAN in the performance of its obligations under Sections 4, 5 and 6 hereof. If, on 1st January 1983, the generating equipment installed at the Works has a capacity of 750,000 horsepower or more ALCAN'S said rights may not be reduced prior to 31st December 1999, for any cause other than default by ALCAN as aforesaid. On 31st December 1999, a final licence will be issued to ALCAN based on the generating capacity then installed at the Works. At no time will the said licence or licences and permit or permits be cancelled or the quantity of water that ALCAN is authorized to store, divert and use or the area of Crown Lands ALCAN is authorized to occupy be reduced below the quantity and area required for the full utilization of the then installed generating equipment except in case of default by ALCAN as aforesaid.

If ALCAN, by reason of business or other conditions, should request extensions of the periods specified in connection with the construction of the Works, the Minister may grant such extensions to the extent that he shall consider them reasonable.

If before the installation at the Works of generating equipment having a capacity of not less than 750,000 horsepower ALCAN or any of its subsidiaries should begin construction elsewhere of a comparable aluminum plant having an annual capacity of 225,000 tons or more and a power development adequate to furnish the requirements of such plant or if Aluminum Limited (if then affiliated with ALCAN), or any of its then subsidiaries should begin construction of such a project

in Canada, the said rights and the licence or licences and permit or permits granted hereunder may be reduced to the extent that such rights are not required for the full utilization of the then installed generating equipment.

If the GOVERNMENT should at any time reduce ALCAN'S said rights hereunder, on account of the portion withdrawn the GOVERNMENT will include in any licence or permit thereafter granted to anyone other than ALCAN a provision for the payment to ALCAN of equitable compensation for any benefit derived from the construction and operation of the Works by ALCAN.

3. Sale of Crown Lands

Notwithstanding Sections 46 or 57 of the "Land Act", the GOVERNMENT will, from time to time, when required by ALCAN, sell and convey, in fee simple, to ALCAN such Crown Lands as may be needed for the Works which are hereby defined as "all dams, canals, tunnels, aqueducts, penstocks, raceways, protection works, powerhouses, spillways, wharfs, docks, townsites, hydraulic structures, roadways, railways, cableways, pipe lines, flumes, transmission lines and all other structures, waste dumps and other facilities capable of or useful in connection with diverting, storing, measuring, conserving, conveying or using the water of the Eutsuk and Tahtsa water power and producing, measuring, transmitting or using the power to be generated thereby and plant sites, wharfs, docks, townsites, roadways, railways, conveyors and all other structures, waste dumps and other facilities capable of or useful in connection with producing aluminum and other materials by using power generated by the said water power.

Such sales shall be made at prices not in excess of the present minimum prices specified in Section 47 of the "Land Act". No stumpage or royalty will be exacted on timber which is damaged, destroyed, or removed in connection with the construction or operation of the structures and facilities enumerated in this section, and which is not used or otherwise gainfully disposed of by ALCAN.

On all such lands and lands to be flooded by the Works the GOVERN-

MENT agrees to maintain a reserve against staking under the "Mineral Act", "Placer Mining Act" and the "Petroleum and Natural Gas Act" and specifically the reserve placed by Orders-in-Council Nos. 413 and 414 of 6th March 1950 and to refrain from alienating any such lands until completion of construction and/or flooding affecting any portion thereof. During such period ALCAN shall have prior right to locate and record claims to any mineral discovered by reason of the development of the said water power. Subsequent to completion of development of any part of the Works the GOVERNMENT will maintain adequate reserves for the protection of that part of the said Works against encroachment.

The GOVERNMENT will permit ALCAN to occupy and to flood such Crown Lands as may be required for the construction and the operation of the Works but shall not be obligated to sell to ALCAN any Crown Lands that are required only for the purpose of flooding by ALCAN on the rental terms set forth in Section 6 hereof.

Roads built by ALCAN to provide access to and between the various sites of the Works constitute part of the Works and Crown Lands required for such roads may be purchased by ALCAN as is provided in Section 3 hereof. However, ALCAN may in specific cases requested by ALCAN and subject to approval by the Minister of Public Works improve existing roads, including supplementing them by the construction of new roads without any charges by the GOVERNMENT even when Crown Lands are involved and without assuming the obligations of ownership of such improvements.

Any road constructed by ALCAN and located on its own property, excepting roads used entirely in connection with the operation of the Works, may be declared a public road when such action is considered by the Minister of Public Works to be in the public interest. However, in such event the GOVERNMENT will assume the maintenance of the road and ALCAN will convey to the GOVERNMENT the land occupied by such road without compensation.

4. Initial Rentals

ALCAN has paid to the Minister the sum of \$20,000 receipt of which is hereby acknowledged and the Minister will, in lieu of further

rentals or other charges during the period prior to the generation of power at the Works, accept evidence that ALCAN has made expenditures on engineering studies of British Columbia water powers and the designs and specifications for the Works at an average rate from 1st June 1948, of not less than \$40,000 per year up to an aggregate amount of at least \$750,000. ALCAN will deliver to the GOVERNMENT the reports and plans produced by the said engineering studies if and when the said licence or licences and permit or permits are surrendered or cancelled.

5. Rentals for Power Generated

ALCAN will pay the GOVERNMENT in respect of all hydro-electric energy generated by ALCAN at the Works the following annual rentals:

(i) in respect of all hydro-electric energy used by ALCAN and its subsidiaries (defined as companies controlled by ALCAN) engaged in processes contributory to the production of aluminum or sold as secondary power (i.e., energy for the production of steam or otherwise in direct competition with fuel) ALCAN will pay an annual rental per horsepower year equal to one and two-thirds times the average price per pound (f.o.b. British Columbia smelter) realized by ALCAN on aluminum produced in British Columbia and sold by ALCAN during the previous calendar year;

(ii) in respect of all other hydro-electric energy generated at the Works ALCAN will pay an annual rental based on the rental rates paid by others in the Province for the generation of electric energy for similar purposes, taking location and other relevant factors into consideration;

Provided, however, that the annual rentals for the first year and subsequently shall in no event be less than 25 cents per horsepower year in respect of any hydro-electric energy generated at the Works.

6. Rentals for Lands Flooded

ALCAN will, commencing with the generation of power at the Works, pay the GOVERNMENT an annual rental in respect of Crown Lands flooded by the said Works except when occupied by some party unrelated to ALCAN at the rate of 10 cents per acre of such lands; provided, however, that such rental shall be increased if and to the extent that two-thirds of

the average price of aluminum determined in accordance with the provision of Section 5 hereof is in excess of 10 cents per pound.

7. Removal of Timber

The GOVERNMENT may at its expense remove any timber on lands to be flooded in connection with the Works if and to the extent that such removal will not delay ALCAN in making beneficial use of the water. ALCAN will not be required to remove timber from land flooded or to be flooded except as hereinafter specified. No stumpage or royalty will be exacted on timber which is flooded or which is not used or otherwise gainfully disposed of by ALCAN.

On the lands which are to be flooded ALCAN will clear and make usable to low water level all public road and trail ends, water trails between lakes and such other areas as the GOVERNMENT may direct up to a total cost for all clearing by ALCAN not to exceed \$250,000. ALCAN will re-establish wharfs, landings, docks and other public approaches, or public facilities that exist and are in use at the time of this agreement and will keep the water approaches to such facilities clear of debris, and maintain navigability between them to the extent now enjoyed.

8. Incorporation of townsites

Whenever the Minister of Municipal Affairs or ALCAN shall so request or upon a petition under the provisions of the Municipalities Incorporation Act, the GOVERNMENT will incorporate into one or more city or district or village municipalities all townsites or other centres of population developed or to be developed in connection with the Works. Also the GOVERNMENT, with the consent of the Legislature, will incorporate into one or more "Industrial Townships" such areas of land as ALCAN may designate, and specifically those areas or tracts of land which will be owned by ALCAN and which will include the dams, tunnels, transmission lines, roads and all other portions of the Works.

9. Sale of Power by ALCAN

In order that the promotion and development of the district and of other industries in the vicinity of the Works may be encouraged,

ALCAN may sell to others electric energy generated at the WORKS and shall not by reason of such sales be deemed a public utility within the meaning of the "Public Utilities Act". However, the terms of sales to persons other than ALCAN'S own subsidiaries, employees and tenants shall be subject to the jurisdiction of the Public Utilities Commission, but said Commission shall have no authority to require ALCAN to furnish service other than retail distribution and small power service to any one in the absence of an undertaking so to do on the part of ALCAN or to require ALCAN to extend any service that it shall have undertaken to furnish.

10. Taxes

The rentals payable by ALCAN pursuant to Sections 4, 5 and 6 hereof shall be in lieu of all taxes and other charges of any nature whatsoever imposed by or under the authority of the GOVERNMENT on or in respect of the Works or the lands appurtenant thereto including flooded land, or the operation of the Works or the electric energy generated thereat except a) Provincial Land and Provincial School Taxes on the value of lands and improvements owned by ALCAN which are not then within the boundaries of an organized municipality or a said "Industrial Township"; b) Taxes imposed by a municipality on property owned by ALCAN; c) Provincial Land and Provincial School Taxes on the unimproved value of lands owned by ALCAN in an "Industrial Township" within which ALCAN will provide required public services to Provincial standards, and d) Franchise and Income Taxes, use and consumption taxes (except on electric energy generated and used by ALCAN or its subsidiaries engaged in processes contributory to the production of aluminum) and taxes of a similar nature generally applicable to corporations doing business in the Province.

The GOVERNMENT will not impose or authorize discriminatory taxes or charges of any nature whatsoever on or in respect of the Works, the operation or the products of the Works, or the conduct of the business incident thereto.

11. Dependability of Power Supply

It is recognized that ALCAN is a party to this Agreement solely with the expectation that it will have the continuing use of a large quantity of low cost electric energy to be employed according to its needs for the production of aluminum, the cost of such energy being in large part predetermined by the amount of the carrying charges on its investment in the portion of the Works producing the said energy.

It is, therefore, agreed that ALCAN will not be required or compelled to supply to the GOVERNMENT or to anyone else any of the power generated at the Works, except as provided in Section 9 hereof.

12. Force Majeure

If by reason of any event not reasonably within its control, ALCAN shall be delayed in the commencement or prosecution of the construction of the Works, the dates specified in Section 2 hereof shall be extended by the period of such delay or delays.

13. Sale, Mortgage, etc.

Nothing in this Agreement shall be deemed to restrict or impair the right of ALCAN to sell, mortgage, convey, lease or otherwise dispose of or transfer, in whole or in part, the Works, any associated property owned by ALCAN or the rights and privileges that ALCAN has under this Agreement and all licences, permits and other instruments that have been or may be delivered for the purpose of confirming or implementing the same; provided, however, that with the exception of town lots such sale, mortgage, conveyance, lease or other disposition or transfer shall be made expressly subject to the terms of this Agreement, and provided further that, without the consent of the Minister, no such sale, mortgage, conveyance, lease or transfer shall be made prior to 1st January 1963, except to a subsidiary or an affiliate of ALCAN or to a trustee or otherwise as an incident to the financing of the construction of the Works by ALCAN or a subsidiary or an affiliate of ALCAN.

14. Application of Statutes

The present provisions of the "Water Act" shall be applicable to

this Agreement and to the said licence or licences and permit or permits hereby granted to the extent that such provisions are pertinent and not in conflict with the terms of this Agreement, or of the said licence or licences and permit or permits. Any provision of this Agreement or of said licence or licences and permit or permits that is in conflict with any present or future statute of general application shall not be invalidated by reason of such conflict.

15. Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of ALCAN.

IN WITNESS WHEREOF the Minister of Lands and Forests has hereunto set his hand and seal, and ALCAN has hereunto caused its Corporate seal to be affixed and this Agreement to be signed by its President and Secretary as of the day and year first above written.

SIGNED, SEALED AND DELIVERED)
By the Minister of Lands and)
Forests in the Presence of)
(Signed) "G.S. WISMER")
Attorney General)
)

"SEAL".

(Signed) "E.T. KENNEY".

"SEAL"

ALUMINUM COMPANY OF CANADA, LIMITED

(Signed) "R.E. POWELL"
President

(Signed) "PAUL S. WHITE"
Secretary

Copy

Province of
British Columbia

WATER RIGHTS BRANCH

Department of
Lands and Forests

CONDITIONAL WATER LICENCE

The ALUMINUM COMPANY OF CANADA, LIMITED of Montreal, P.Q., is hereby licenced and authorized to store, divert and use water and to construct, maintain and operate works as follows:

- (a) The sources of water supply are the Nechako River above Grand Canyon and all the streams and lakes tributary thereto, Skins Lake, and the Nanika River and all the streams and lakes tributary thereto except the tributaries which join the said river more than two miles below Kidprice Lake.
- (b) The points of storage, diversion and use, and the extent of the storage reservoirs are approximately as shown on plan marked Exhibit "A" which is attached hereto and forms part hereof.
- (c) The date from which this licence shall have precedence is 3rd August 1949.
- (d) The purposes for which the water is to be used are storage and power as set forth in an Agreement between the Government and the Licensee, dated 29th December 1950.
- (e) The maximum quantity of water which may be stored is 35,000,000 acre feet. The maximum rate of diversion is 9,500 cubic feet per second.
- (f) The period of the year during which the water may be stored, diverted and used is the whole year.
- (g) The land upon which the water is to be used and to which this licence is appurtenant is that land which is required for the power houses referred to in the said Agreement and indicated on the said plan marked Exhibit "A".
- (h) The works authorized to be constructed are the works referred to in the said Agreement and indicated on the said plan marked Exhibit "A".
- (i) The construction of the said Works shall be commenced and carried on in accordance with the terms set forth in the said Agreement.
- (j) The Licensee shall furnish simultaneously to the Department of Fisheries of the Government of Canada, the Game Commission of the Government of British Columbia and the Comptroller of Water Rights copies of the plans and specifications of all works proposed to be constructed and shall not commence the construction of any works until the plans and specifications thereof have been approved by the said Comptroller.
- (k) The Licensee shall not store, divert or use any water in any reservoir to be created under this licence until the plans for the construction of such works have been submitted to the Comptroller and approved by him.
- (l) This licence is issued in accordance with the terms of the said Agreement between the Government and the Licensee, dated 29th December 1950, and is to be attached thereto and form a part thereof.

Comptroller of Water Rights

File No.: Date issued: 29th December 1950 Licence No.: 19847