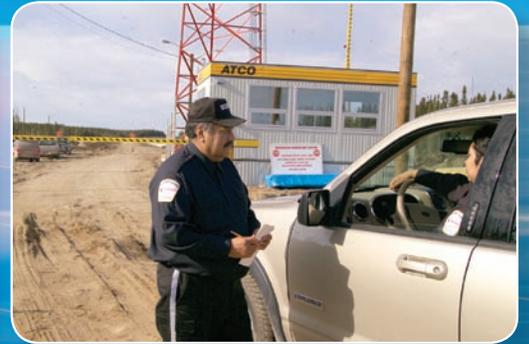


DEVELOPING RENEWABLE ENERGY THROUGH A GROUNDBREAKING PARTNERSHIP

YEAR IN REVIEW

2006-2007



For the year ended March 31, 2007



WUSKWATIM
Power Limited Partnership

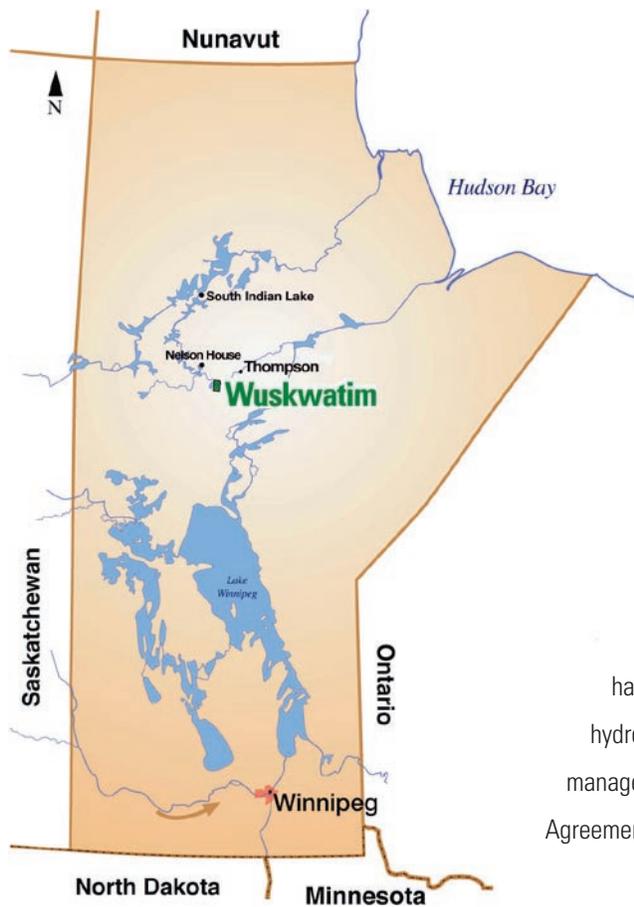




2006-2007 Year in Review
For the Wuskwatim Power Limited Partnership

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WUSKWATIM

Power Limited Partnership

Located on the Burntwood River in northern Manitoba, the Wuskwatim Generating Station is being developed by Wuskwatim Power Limited Partnership (WPLP), a legal entity involving Manitoba Hydro and the Nisichawayasihk Cree Nation (NCN). This marks the first time a First Nation and Manitoba Hydro have entered into a formal partnership arrangement to develop a hydroelectric project. Manitoba Hydro is providing construction and management services to WPLP in accordance with the Project Development Agreement (PDA) signed in June 2006.

THIS MARKS THE FIRST TIME A FIRST NATION AND MANITOBA HYDRO HAVE ENTERED INTO A FORMAL PARTNERSHIP ARRANGEMENT TO DEVELOP A HYDROELECTRIC PROJECT.

Message FROM THE CHAIR



Directors of the general partner of WPLP (L to R)

- Ed Wojczynski (Manitoba Hydro)
- Jimmy Hunter-Spence (NCN)
- Lyn Wray (Manitoba Hydro)
- Ken Adams (Manitoba Hydro)
- Vince Warden (Manitoba Hydro)
- Marcel Moody (NCN)

WPLP is pleased to present its Year in Review for the fiscal year 2006 - 2007. The past year has been an exciting one with several project milestones achieved, including the conclusion of PDA negotiations between NCN and Manitoba Hydro, the commencement of project construction in August 2006 and the award and implementation of a number of major contracts.

WPLP is particularly proud of the level of Aboriginal participation that occurred during the first year of the project. At fiscal year end, more than 250 workers were employed, with Aboriginal workers making up 75 percent of the workforce. NCN joint venture businesses were awarded and began implementation of direct-negotiated contracts valued at over \$100 million for a range of services such as access road construction, site preparation, camp catering, security and cultural services. For the first time in Manitoba Hydro construction history, cultural ceremonies were performed at construction milestones to demonstrate respect for local culture and mitigate the effects of the project on local culture.

An extensive environmental and social monitoring program continued to gather and analyze data throughout the year, as it will throughout the entire construction period and initial operations phase of the project. The Wuskwatim Monitoring Overview for 2006-2007, also published by WPLP, details these activities and the results obtained so far.

The Wuskwatim Generation Project marks a new approach to developing Manitoba's hydroelectric resources. It is a collaborative effort between NCN and Manitoba Hydro that reflects local concerns, contributes to capacity development in northern Manitoba and provides economic opportunities for the community. The power generated at Wuskwatim will also provide Manitobans with an additional source of clean, environmentally-friendly hydroelectricity. WPLP is proud of this groundbreaking project and believes it can serve as a model for future resource development in Manitoba and the rest of Canada.

Sincerely,

Ken R. F. Adams, P.Eng.
 Chair of the general partner of Wuskwatim Power Limited Partnership
 (5022649 Manitoba Ltd.)

2006-2007 Year IN REVIEW

WPLP IS RESPONSIBLE FOR THE DEVELOPMENT, OPERATION AND MAINTENANCE OF THE 200-MEGAWATT WUSKWATIM GENERATION PROJECT ON THE BURNTWOOD RIVER IN NORTHERN MANITOBA.

The province of Manitoba has a large, self-renewing supply of waterpower and has developed many hydroelectric generating stations to provide power to its citizens. The last generating station built in the province was Limestone, on the Nelson River, completed in 1992. To take advantage of profitable export sales and assist in meeting Manitoba's future domestic energy requirements, the Wuskwatim Generation Project is currently under construction in northern Manitoba.

WPLP is a partnership involving Manitoba Hydro and NCN. WPLP is responsible for the development, operation and maintenance of the 200-megawatt Wuskwatim Generation Project on the Burntwood River in northern Manitoba. Wuskwatim marks the beginning of a new era of developing clean, renewable hydropower resources. This is the first time in the province and Canada that a First Nation and an electric utility have entered into such a comprehensive partnership arrangement to develop a generating station. Wuskwatim is being built in NCN's traditional territory at Taskinigup Falls, which is downstream at the outlet of Wuskwatim Lake.

The path to this precedent-setting partnership began many years ago.

NCN and Manitoba Hydro spent nearly a decade discussing, planning and undertaking the environmental studies and regulatory processes for the \$1 billion Wuskwatim Generation Project. During that time, the parties engaged in an extensive negotiation process regarding the PDA. The negotiations concluded in March 2006 and NCN then undertook a comprehensive three-month consultation process on the PDA with its nearly 4,000 community members living on reserve and throughout the province. This was the final stage of NCN's multi-year and intensive consultation process which included a series of meetings and small group presentations to discuss the Wuskwatim project.

NCN's consultation process culminated with a secret ballot referendum to determine the community's support to partner with Manitoba Hydro to develop Wuskwatim. Seventy percent of NCN's eligible members voted, with nearly 64 percent voting in favor of proceeding with the Wuskwatim Project. Senior Manitoba Hydro officials and NCN's Chief and Council signed the PDA at a historic and cultural ceremony held in Nelson House at the end of June 2006. Federal, provincial and municipal government elected representatives and officials, various First Nations leaders, regional business and labour



NCN's Chief and Council and Senior Manitoba Hydro officials, along with Premier Gary Doer, celebrate the signing of the PDA at a historic and cultural ceremony held in Nelson House, June 2006.

representatives and many community members attended the ceremony.

Following the signing of the PDA, WPLP became fully operational. Taskinighp Power Corporation (TPC), a wholly-owned corporation that will hold NCN's units in WPLP, and Manitoba Hydro became business partners. Through TPC, NCN has the opportunity to own up to 33 percent of the Wuskwatim Generating Station and it has made an initial investment of \$1 million. NCN has until the completion of construction, anticipated to be 2012, to make the balance of its equity investment.

Pursuant to the PDA, Manitoba Hydro has been contracted to construct, manage, operate and maintain the Wuskwatim Generating Station. The business affairs of WPLP are carried out by a general partner (GP), 5022649 Manitoba Ltd., a wholly-owned Manitoba Hydro subsidiary. The GP is governed by a Board of Directors, which consists of four Manitoba Hydro and two NCN representatives. The Board meets bi-monthly and its inaugural meeting was held in August 2006. In addition to the Board, advisory committees exist for the project in the areas of construction, monitoring and employment. The committees provide NCN with additional

opportunities to receive project information and provide input, and they promote effective communication between NCN and Manitoba Hydro on project issues.

During the past year, environmental approvals to begin construction of the Wuskwatim Generating Station and associated transmission facilities were received from federal and provincial regulators. The authorizations were consistent with comprehensive environmental impact assessments conducted by Manitoba Hydro and NCN, as well as recommendations of the Manitoba Clean Environment Commission and the findings of a comprehensive study report by the federal Department of Fisheries and Oceans.

In August 2006, a ceremony was held at the Manitoba Legislature to sign the Wuskwatim Heritage Resources Memorandum of Agreement. This precedent setting agreement, signed by NCN, WPLP and the Government of Manitoba, recognizes that all the parties have an interest in protecting and co-managing heritage resources discovered during construction of the project. The signing of the Heritage Resources Agreement was the final step necessary before construction could begin.



NCN cultural leaders and members, along with Manitoba Hydro personnel and contractors, participate in a stream-crossing ceremony during winter construction of the access road.

THE WUSKWATIM GENERATING STATION IS A RUN-OF-RIVER PLANT WITH A LOW-HEAD DESIGN THAT WILL CREATE LESS THAN ONE-HALF OF A SQUARE KILOMETRE OF FLOODING. THIS IS THE LEAST AMOUNT OF FLOODING OF ANY MANITOBA HYDRO PROJECT IN THE PROVINCE.

The Wuskwatim Generating Station is a run-of-river plant with a low-head design that will create less than one-half of a square kilometre of flooding. This is the least amount of flooding of any Manitoba Hydro project in the province. Use of Ethinewin, NCN's traditional knowledge, and application of Manitoba Hydro's Sustainable Development Guiding Principles and Corporate Environmental Management Policy were an essential part of Wuskwatim's planning process. They helped minimize the impact of the dam and establish the location of the construction camp and routes for the access road and transmission lines.

Wuskwatim construction commenced in mid-August and the major focus of the site work this fiscal year was to establish project infrastructure and camps, ensure completion of limited all-weather access to the main dam site, and complete critical activities for the construction power substation. At fiscal year end, more than 250 workers were employed on the project, 75 percent of whom are aboriginal.

The following is a summary of results achieved during 2006-2007:

Pre-Construction Activities

- Completed planning and negotiations phase of the Wuskwatim Generation Project
- NCN and Manitoba Hydro signed the PDA in an official ceremony in Nelson House in June 2006
- TPC and Manitoba Hydro became business partners in WPLP
- Received environmental approvals from federal and provincial regulators to begin construction of the Wuskwatim Generating Station and associated transmission facilities
- Signed Wuskwatim Heritage Resources Memorandum of Agreement in August 2006.

Access Road Construction

- Constructed a 150 person road camp
- Cleared access road right-of-way
- Constructed stream crossings and low-level road core to main site.

Site Infrastructure Construction

- Cleared construction and camp site areas and commenced site preparation work



Construction of the 48-kilometre access road began in August 2006 and continued through the winter.

- Mobilized all critical equipment and materials necessary for construction power, communication and camp infrastructure to site before spring thaw
- Completed approximately 80 percent of the construction power substation and transmission line at fiscal year end.

Major Contracts

- Awarded and commenced implementation of direct negotiated contracts valued at over \$100 million for NCN joint venture businesses for a range of services such as access road construction, site preparation, camp catering, security and cultural services
- Awarded contracts for:
 - Design and supply of turbine generators
 - Installation of turbine generators
 - Design, supply and installation of modular buildings
 - Design and supply of pre-engineered buildings
 - Design, supply and installation of water treatment plant
- Issued the general civil contract request for tenders.



Heavy equipment operators work to schedule on the all-weather access road leading to the Wuskwatim site.

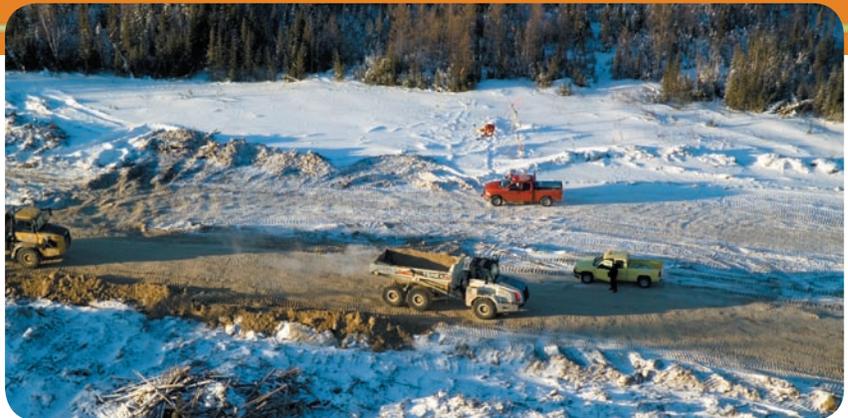


Rock truck hauling construction materials on the Wuskwatim access road.



NCN member employed on the Wuskwatim Project.

VARIOUS CULTURAL
AWARENESS AND
RETENTION SUPPORT
PROGRAMS ARE AIMED
AT KEEPING NORTHERN
AND ABORIGINAL
WORKERS EMPLOYED
ON THE PROJECT.



Aerial photo of access road construction.

Project Monitoring

- Completed an initial heritage resources and archaeological survey of the access road route
- Initiated aquatic, terrestrial, physical, economic and social monitoring programs
- Implemented environmental protection plans for the access road and construction camps
- Conducted analyses of project employment, labour income, purchases and other economic indicators for the first year of construction activities
- Developed various cultural awareness and retention support programs aimed at keeping northern and Aboriginal workers employed on the project
- Developed ongoing monitoring programs of traffic levels on the Wuskwatim access road.

Aboriginal Participation

- Performed site ceremonies at key construction milestones to demonstrate respect for and mitigate the effects of the project construction on local culture – a first in the history of Manitoba Hydro's major construction projects
- Employed more than 250 workers on the project at fiscal year end – 75 percent of whom are Aboriginal.

Safety

- Implemented a comprehensive program that emphasizes the importance WPLP places on employee and contractor health and safety
- Experienced eight lost time accidents resulting in 77 days lost.

THE PROJECT EMPLOYED
MORE THAN 250 WORKERS
AT FISCAL YEAR END, 75% OF
WHOM ARE ABORIGINAL.



A tree feller clears the bushline for the access road.



Heavy equipment operator at work on the project.



Financial REPORT

PARTNERSHIP ASSETS, LIABILITIES AND EQUITY (as at March 31)

(in thousands of dollars)	2007	2006
ASSETS		
Construction in Progress - Generating Station	186,283	-
- Transmission line	39,989	-
Other Assets	1,334	10
	227,606	10
LIABILITIES AND EQUITY		
Long-Term Debt	170,749	-
Other Liabilities	12,524	-
Equity	44,333	10
	227,606	10

PARTNERS' CAPITAL (as at March 31, 2007)

	Units	%	Capital (in thousands of dollars)
General Partner ¹	4.433	.01	4
Manitoba Hydro	29,698.900	66.99	29,699
Taskinigahp Power Corporation	14,630.000	33.00	14,630
	44,333.333	100.00	44,333

CASH FLOWS (for the year ended March 31)

(in thousands of dollars)	2007	2006
FINANCING ACTIVITIES		
Proceeds from issue of units of WPLP	44,323	-
Net proceeds from long-term debt	170,749	-
	215,072	-
INVESTING ACTIVITIES		
Construction in progress - Generating Station	(176,389)	-
- Transmission line	(37,364)	-
Other	(1,275)	-
	(215,028)	-
Net increase in cash	44	-
Cash at beginning of year	10	10
Cash at end of year	54	10

¹ The business affairs of WPLP are carried out by a general partner (GP), 5022649 Manitoba Ltd., a wholly-owned Manitoba Hydro subsidiary.



Catering employee prepares food for 150 workers at the Wuskwatim access road construction camp.







WUSKWATIM

Power Limited Partnership

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