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GREFFE

09 JUN 2006

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BY TELECOPIER (514-873-2070)

6 June, 2006

Mme Véronique Dubois
Régie de l'énergie
800, Place Victoria, Bureau 255
Montréal, Québec
H4Z 1A2

RE: Application from Hydro-Québec Distribution to Supply Electricity
to the Schefferville Region

Dear Mme Dubois,

The Council of the Naskapi Nation of Kawawachikamach has taken note of the request from Hydro-Québec Distribution to the Régie de l'énergie for authorization to assume responsibility for supplying electricity to the Schefferville region, including Kawawachikamach. That request flows from the recognition by the Government of Quebec of its legal responsibility to supply electricity to the Schefferville region. The Government of Quebec mandated Hydro-Québec to carry out that responsibility on its behalf.

The Naskapi Nation of Kawawachikamach numbers approximately 850 members (almost 50% of the population of the Schefferville region); most of whom live in the village of Kawawachikamach, which is located some 15 km northeast of Schefferville. Kawawachikamach obtains its electricity from the Menihék Dam, which supplies electricity to Schefferville. Kawawachikamach is connected to Schefferville by a 25-kv transmission line.

Thus, the Naskapi Nation of Kawawachikamach would be one of the beneficiaries if Hydro-Québec Distribution were authorized to become the supplier of electricity to the Schefferville region.

The Iron Ore Company (of Canada), which is the owner of the Menihék Dam, the two transmission lines connecting it to Schefferville and the distribution network in Schefferville, ceased its mining operations in the Schefferville area in 1982. The closure of those mines caused considerable suffering for the Naskapis, since the Iron Ore Company (of Canada) was the only important employer in the area.

Since 1982, the Iron Ore Company (of Canada) has continued to supply electricity to the Schefferville region, including Kawawachikamach.

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Since the late 1990s, a corporation owned by the Naskapi Nation of Kawawachikamach, Kawawachikamach Energy Services Inc., has operated and maintained the Menihek Generating Station and the transmission and distribution networks in Schefferville under contract to the Iron Ore Company (of Canada).

The operation of the Menihek Generating Station is done by a combination of Naskapi and non-Native operators. The maintenance of the transmission line and the distribution network is done entirely by Naskapi and Innu staff members.

The equipment in the powerhouse and the transmission lines and the distribution network in Schefferville are over 50 years old. Little money has been spent on their maintenance since 1982. Given that the Iron Ore Company (of Canada) is no longer active in the Schefferville area, it is not realistic to anticipate that it will spend money to maintain the equipment and infrastructure in good working condition.

There have been several important blackouts in winter in recent years. In December, 2005, a major problem occurred with the 10-MW turbine. That left only two five-MW turbines to meet a peak load that exceeds 10 MW. Consequently, Hydro-Québec Distribution installed a number of diesel-powered generators at strategic locations in Schefferville.

The transmission line from Schefferville to Kawawachikamach and the distribution network at Kawawachikamach are both in very good condition. Kawawachikamach also has its own backup generator, which starts automatically in the event of a blackout and provides power to key community buildings.

The Naskapi Nation of Kawawachikamach is entirely supportive of the application of Hydro-Québec Distribution to assume responsibility for supplying electricity to the Schefferville region, including Kawawachikamach.

The Naskapi Nation has been in regular contact with Hydro-Québec Distribution for the past several years on this topic.

The Naskapi Nation has an excellent working relationship with Hydro-Québec Distribution, and it anticipates that the Naskapi and Innu staff that it has trained will continue to be responsible for maintaining the Quebec-side infrastructure and equipment under a contract with Hydro-Québec Distribution, thereby securing for the long term the jobs created by Kawawachikamach Energy Services Inc.

The Naskapi Nation also understands that Hydro-Québec Distribution will enter into an arrangement with Newfoundland and Labrador Hydro that will provide for the progressive upgrading of the generating, transmission and distribution infrastructure and long-term access to the energy generated at the Menihek Generating Station. Such upgrading is essential to provide the Schefferville region with the security of its energy supply to which it is entitled.

The tariffs charged for electricity in the Schefferville region are extremely low. The Nation understands that they will have to be increased. Given that Schefferville, although not connected to the Hydro-Québec transmission grid, is provided with low-cost and abundant hydroelectric energy, the Nation assumes that the cost of electricity will ultimately increase to the level charged in Southern Quebec in communities that are connected to the Hydro-Québec transmission grid.

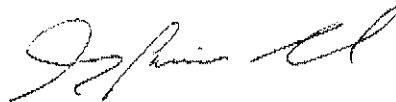
Increasing the cost of electricity instantaneously from its current level to the level charged elsewhere in Quebec would cause serious and adverse economic and social consequences. Council hopes therefore that the rate increase can be implemented over an appropriate number of years.

In summary, Council expresses the strong hope that the Régie de l'énergie will approve the request tabled by Hydro-Québec Distribution.

Kawawachikamach is the sole official residence of the Naskapis pursuant to the Northeastern Québec Agreement ("NEQA") of 1978. If our people leave Kawawachikamach, they lose the exercise of certain of their rights thereunder. A reliable, long-term supply of electricity is vital if we are to survive and thrive in the Schefferville region, especially for the revival of the mining sector, which currently looks very promising.

You will shortly receive the French version of this letter.

Yours truly,



Chief Jimmy James Einish

c.c. (by telecopier)
M^{re} Yves Fréchette, Hydro-Québec (514-289-2007)
Mr John Lussier, Hydro-Québec Distribution (514-289-5881)
Chief Thaddée André, Nation Innu Matimekush-Lac John (418-585-3856)
Mme Marcella Beaudoin, Administration, Town of Schefferville (418-585-2256 and 418-295-4955)