



NUCLEAR WASTE
MANAGEMENT
ORGANIZATION

SOCIÉTÉ DE GESTION
DES DÉCHETS
NUCLÉAIRES

ANNUAL REPORT 2006

Looking Ahead

Planning for the Future:

MANAGING CANADA'S NUCLEAR FUEL WASTE

LOOKING AHEAD: PLANNING FOR THE FUTURE

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Correction

The biography provided for Advisory Council member Daniel Rozon on page 51 of the Annual Report should read as follows: Daniel Rozon is a retired Professor of Engineering Physics at École Polytechnique de Montreal. A fellow of the Canadian Nuclear Society, he is a specialist in reactor physics, with research interests in nuclear fuel management optimization. He was the director of the Nuclear Engineering Institute (l'Institut de genie nucleaire) for more than 15 years.



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The Honourable Gary Lunn, P.C., M.P.
Minister, Natural Resources Canada
Ottawa, Ontario
K1A 0A6

March, 2007

Dear Minister,

We are pleased to submit to you the annual report of the Nuclear Waste Management Organization (NWMO) for fiscal year 2006.

We submit this report in compliance with sections 16 (1) and 23 (1) of the *Nuclear Fuel Waste Act*.

In fulfillment of our obligations under section 24 of the Act, we are also making this report available to the public.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'G. Kugler', written over a light blue horizontal line.

Gary Kugler
Chairman

A handwritten signature in dark ink, appearing to read 'K. E. Nash', written over a light blue horizontal line.

Ken Nash
President

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Looking Ahead – Planning for the Future:

MANAGING CANADA’S NUCLEAR FUEL WASTE

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ANNUAL REPORT 2006

Looking Ahead

Planning for the Future:
MANAGING CANADA'S NUCLEAR FUEL WASTE

OUR MANDATE

The Nuclear Waste Management Organization (NWMO) takes its mandate from the federal *Nuclear Fuel Waste Act (NFWA)*. This legislation came into force on November 15, 2002.

All of Canada's used nuclear fuel is currently managed safely by its owners in licenced wet or dry storage facilities which meet or exceed the regulatory requirements of the Canadian Nuclear Safety Commission (CNSC). These are intended to be interim practices. Through the *NFWA* and the responsibilities it assigns to the NWMO, the Government of Canada seeks to ensure that the long-term management of used nuclear fuel is carried out in a comprehensive, integrated and economically sound manner.

Our

OUR MANDATE

Consistent with the *NFWA*, the NWMO was established by Canada's nuclear energy corporations – Ontario Power Generation Inc., Hydro-Québec and New Brunswick Power Corporation.¹

The NWMO's first purpose was to conduct a study, consulting widely, and to recommend a long-term management approach for used nuclear fuel. We did this over a three-year period, reporting to the Minister of Natural Resources Canada and making our study public in November 2005. Our recommendation is with the Government for review and a decision.

Following a decision by the Governor in Council, the NWMO will be responsible for implementing the chosen strategy in a manner that protects the health, safety and security of humans and the

environment, now and in the future. The NWMO will manage and coordinate the full range of activities related to the selected management approach, which is expected to unfold over many decades. In each phase of our work, there will be public engagement as we build and strengthen relationships and work collaboratively in an open and transparent manner with citizens, communities, and organizations which might be affected.

Throughout implementation, our primary focus must be safety. There can be no compromise on this common vision. We will also meet or exceed all applicable regulatory and licensing requirements.

The *NFWA* provides for ongoing oversight of the organization by the Minister of Natural Resources Canada.

¹ In 2004, through a transfer order, the Government of New Brunswick assigned responsibility for all aspects of the provincially owned nuclear generating assets to a new subsidiary corporation, NB Power Nuclear.

Mandate

VISION, MISSION AND VALUES

VISION:

What are NWMO's hopes for the future?

MISSION:

What is the purpose of NWMO?

VALUES:

What guides NWMO's work?

VISION, MISSION AND VALUES

VISION

Our vision is the long-term management of Canada's nuclear waste in a manner that safeguards people and respects the environment, now and in the future.

MISSION

The purpose of the NWMO is to develop collaboratively with Canadians a management approach for the long-term care of Canada's used nuclear fuel that is socially acceptable, technically sound, environmentally responsible and economically feasible.

VALUES

The fundamental beliefs that will guide us in our work include:

INTEGRITY

We will conduct ourselves with openness, honesty and respect for all persons and organizations with whom we deal.

EXCELLENCE

We will pursue the best knowledge, understanding and innovative thinking in our analysis, engagement processes and decision making.

ENGAGEMENT

We will seek the participation of all communities of interest and be responsive to a diversity of views and perspectives. We will communicate and consult actively, promoting thoughtful reflection and facilitating a constructive dialogue.

ACCOUNTABILITY

We will be fully responsible for the wise, prudent and efficient management of resources and be accountable for all of our actions.

INTRODUCTION

Introdu

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CHAIRMAN'S MESSAGE



The year 2006 was pivotal for the Nuclear Waste Management Organization. It set the stage for transition from a study organization to a sustainable implementing agency. I was pleased to have been asked in June to participate in this very important task. I look forward to the next phase of our work, delivering on the Government's forthcoming decision on a long-term management approach for Canada's used nuclear fuel.

The NWMO can take pride in its achievements to date. Its collaborative engagement of Canadians has produced a sound recommendation with the primary motivation of safeguarding people and respecting the environment, now and in the future. Adaptive Phased Management is responsive to the expectation of Canadians that action be taken now. It is also flexible, able to respond to new technological developments or changing societal priorities.

In preparation for implementing the Government's decision Ken Nash, my predecessor as Board Chairman, was appointed President in June. He has begun the task of assembling the team that will carry out the Government's choice of a management approach.

Chairman's

CHAIRMAN'S MESSAGE

Having fulfilled her mandate to lead the initial study, Elizabeth Dowdeswell has agreed to continue supporting the Board of Directors. Following the Government's decision, she will lead the collaborative design of a process to identify a willing and informed host community for a used fuel repository.

Our member companies, Ontario Power Generation Inc., Hydro-Québec, and NB Power Nuclear, have continued to demonstrate strong commitment to our work. They invested considerable time in 2006 drafting a new Membership Agreement and a new general by-law to support implementation. They, and Atomic Energy of Canada Limited, also continued to provide for the financial integrity of long-term used fuel management through contributions to their individual *NFWA* trust funds. These contributions now total almost \$1 billion. This money is in addition to substantial amounts the corporations have set aside for nuclear waste and decommissioning liabilities as a condition of their licences under the *Nuclear Safety and Control Act*.

The member organizations have also broadened the Board's membership beyond the nuclear sector in preparation for implementation. In March 2007, we welcomed Ron Jamieson, Deborah Poff and C. Ian Ross to our number.

This expansion makes available a greater range of perspectives as the Board provides oversight and strategic direction for the NWMO.

Our Advisory Council remains committed to providing valuable advice to the organization. The Board has as a priority to confirm the Council's mandate and membership in the coming year to ensure that we continue to have a strong independent body in place to help guide the next phase of our work.

While the NWMO is proceeding with many preparations for a renewed mandate, we look forward to the Government's selection of a management approach. Canadians have clearly said that our generation has an obligation to take responsibility now for the long-term management of the used nuclear fuel we have created. We look forward to Government direction so that Canada can continue its legacy of safely and responsibly managing used fuel by beginning the process for its long-term stewardship.



Dr. Gary Kugler
Chairman

's Message

PRESIDENT'S MESSAGE



The Nuclear Waste Management Organization conducted its study and built its recommendations on a foundation of sustainable development. We are committed to managing used nuclear fuel in a socially acceptable, technically sound, environmentally responsible and economically feasible way. We recognize this is a long-term commitment that will require financial and human resources for many years into the future.

A significant focus in 2006 was to begin developing the NWMO into a sustainable organization with the full range of capabilities which will be required to fulfil our new obligations. Staff capacity in social and ethical research has been strengthened to better engage the various communities of interest and to support good governance; our technical and scientific human resource capability has been significantly enhanced with the integration of more than ten professionals to support a vibrant research program into the latest scientific, engineering, financial and environmental aspects of nuclear waste management technologies; and we have introduced an intern program to attract the best and brightest young people to our organization.

President's

PRESIDENT'S MESSAGE

Further, we are drawing from the knowledge and experience of specialists in 11 Canadian universities. Our network also includes involvement in international research programs on the safe management of used fuel, and we are collaborating with organizations similar to ours in several countries including Sweden, Finland and Switzerland. We also benefit from associations with international organizations like the Nuclear Energy Agency and the International Atomic Energy Agency.

Growing our capabilities and sponsoring research requires financial resources. I am pleased to say that our budget allocation has increased from \$4.2 million in 2006 to \$15.7 million in 2007, and commitment has been made for further increases in subsequent years.

Our desire to learn from Aboriginal people is a continued commitment. A highlight in 2006 was our re-convening of the Elders' Forum in October. Expressing a desire to build on the results of previous dialogues, participants proposed the formation of an Aboriginal Working Group. With support of the NWMO Advisory Council and Board of Directors, and in the spirit of building a healthy respectful

relationship, the group – composed of both Elders and youth – was established to work with the NWMO to meet the ongoing challenge of developing a better understanding between Aboriginal peoples and the NWMO. We are honoured and pleased with the opportunities provided by this important development.

As the NWMO prepares for the next phase of our work we remain committed to citizen engagement, collaboration and the best available research. We, and those we engage, owe it to ourselves and to future generations who may be impacted by our decisions to adhere to the highest social, ethical and technical standards. The relationships we build and maintain, the trust we earn, and the competence we demonstrate as we move ahead deliberately, carefully and collaboratively will determine the success of Canada's long-term management strategy. With a Government decision we look forward to renewing our mandate.



Ken Nash
President

's Message

THE YEAR IN REVIEW

The Year Review

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THE YEAR IN REVIEW

The year 2006 marked the beginning of the NWMO's transition from a study organization to an implementing agency. While the Government of Canada conducts its review of our final study, *Choosing a Way Forward*, we remain focused on preparatory activities required regardless of the long-term management approach ultimately selected for used nuclear fuel. In preparation we started to chart some of the activities that will have to be conducted early in the process. In addition to ensuring the organization's compliance with the *Nuclear Fuel Waste Act (NFWA)*, we sought throughout the year to sustain and nurture valuable relationships developed over the study period and to conduct baseline research and analysis to support the next phase of our work.

Preparing for a New Phase of Dialogue and Collaboration

The NWMO is committed to building and maintaining relationships based on mutual trust and respect. From the outset, our collaborative dialogue with individuals, institutions, organizations and communities has been rewarded with a wealth of constructive advice and knowledge. Sustaining these vital relationships and developing new ones will be essential to future collaborative work. Although the study is behind us and the next phase of engagement and dialogue has not begun, fostering ties established over the three-year study is a critical component of our transition work.

In 2006 we reviewed and reflected on the engagement processes we employed during the study phase, taking stock of which were most effective in ensuring the inclusiveness of the dialogue process and how they might be utilized or enhanced for future public engagement activities. With our Advisory Council, we reflected on the principles which guided us through the study and we reviewed our accomplishments as well as lessons we learned. These lessons offered important guidance and opportunities for improvement in our engagement processes for the next phase of our mandate.

As our role changes to one of implementing the Government's decision, we need to maintain communications with Canadians generally, while also focusing on and further developing how we engage them. In 2006 we discussed how the NWMO might build on and adapt the open and inclusive approach to engagement established during the study. We began to explore the

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range of communities of interest which may assist the design of future engagement plans. We also began to build our own internal capacity to support collaborative work with others.

Learning from the Experience of Others

Throughout its study the NWMO sought a genuine dialogue with citizens. Our final study, *Choosing a Way Forward*, was a product of listening to both specialists and Canadians at large, and learning from the multiple perspectives put forward by them. Similar continuous learning and collaboration will be crucial in every phase of implementing a long-term management approach for used nuclear fuel.

Gaining Insights From Other Projects

When the NWMO began its study in 2002, we initiated a series of informal conversations about expectations. We wanted to better understand the views and needs of Canadians on the issue of used nuclear fuel and how they wished to be engaged in our process. Similarly, as we transition to the next phase of our work, we want to be prepared to engage citizens on early implementation matters. One task will be to design collaboratively a site-selection process.

In 2006 we began to think about how an adaptive and collaborative siting process might be designed consistent with commitments made in our final study. To learn more, we invited preliminary discussions with practitioners to gain insights from other complex siting exercises. We also reviewed a selection of Canadian and international case studies in site selection, seeking lessons which might be applied to the development of an appropriate siting process to support a Government decision. The know-

ledge we gained about best practices in public engagement, local involvement and collaborative decision-making will provide an information foundation for when we begin to engage others in the collaborative design of a siting process.

Exploring Innovative Approaches to Land Management

The identities and cultures of Aboriginal people are linked to the land on which they live and the natural resources on which they depend. Over the past several decades a range of innovative instruments has been used in Canada to address Aboriginal concerns related to resource developments. Mining, pipeline development, gas and oil projects and hydro-electric installations are among the issues that have been addressed. A vast body of knowledge about success and failure in these activities has been built. Through this time, a significant evolution of direct Aboriginal involvement in governance has also occurred. Changes have led to new expectations on the part of Aboriginal people.

As a first step at bringing some of this knowledge to the NWMO, an issue table, "Innovative Approaches to Natural Resource Management," was convened in Winnipeg in June. Twenty-five participants, Aboriginal and non-Aboriginal, explored innovative approaches to natural resource management which may lead to creative ways of involving Aboriginal communities in the long-term management of used nuclear fuel in Canada. Approaching the discussion from different viewpoints, participants identified a number of "conditions for success" that have been learned in the development and implementation of

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innovative natural resource management agreements with Aboriginal peoples. These conditions include that the community should be fully engaged and that everyone should have full knowledge before making a decision; that the process should have a targeted end result with a structure or a “roadmap” to follow, with support from all levels of government; and that communication among all parties be open, since it is the key to long-term relationship building. The full report is available at: www.nwmo.ca/issuetables.

Two-Way Communications with Aboriginal People

Another area explored in 2006 was promoting effective two-way communications between the NWMO and Aboriginal people. Over two days in May the NWMO and eighteen individuals, both Aboriginal and non-Aboriginal, met to enhance our understanding of how to develop, maintain, and continually improve a two-way capacity for communication with Aboriginal communities, Elders and youth. We heard that a respectful and culturally appropriate two-way flow of communication and feedback at all levels will be a minimum requirement.

Current conventional forms of information sharing such as written reports, Internet use, pamphlets and videos are among the methods available. But real communication will go beyond providing information and will recognize and emphasize the process through which engagement will continue over the full implementation life-time of the management approach. This discussion, “Developing Effective Communication Between Canada’s

Aboriginal Community and the NWMO,” identified nine principles to guide effective communication. These ranged from showing respect for and having knowledge of whom the NWMO is working with, to recognizing that each community is different, to acting with integrity, consistent with the Seven Grandfather teachings of respect, love, courage, bravery, wisdom, honesty (truth), and humility. Eleven specific recommendations were provided and can be reviewed in the full issue table report available at: www.nwmo.ca/issuetables.

Seeking the Wisdom of Elders

Building on groundwork established during our study, the NWMO re-convened the Aboriginal Elders’ Forum for two days in October 2006. Elders drawn from across the country were once again invited to name a youth support person to accompany them. In total, 33 individuals participated including 18 Elders and 15 young people. A highlight of the second Elders’ Forum was a tour of the Pickering Waste Management Facility.

Participants in the Forum were keen to move forward and build on the results of previous deliberations with the NWMO. Several themes emerged. The importance of meaningful involvement in the NWMO was emphasized as members of the group reiterated that Aboriginal people must have a say in what their involvement would look like. Participants discussed the importance of cultural education, stressing that the NWMO invest the necessary time and energy to understand Aboriginal cultures and the distinct rights of Aboriginal peoples. There were also recommendations for addressing the educational needs of Aboriginal

THE YEAR IN REVIEW

peoples as the NWMO moves forward. Protecting the environment continued to be at the forefront of the minds of participants. Elders spoke of the importance of this traditional stewardship responsibility, now and in the future.

A very significant outcome of the Forum was formation of an “Aboriginal Working Group” comprising Elders and youth to work on issues and to promote a strong understanding between Aboriginal peoples and the NWMO. The working group convened early in 2007 to discuss a Mission Statement, Principles and Objectives and to begin developing with the NWMO a plan of work for the year.

A full report of the Forum is available at: www.nwmo.ca/eldersforum2.

Continuing our Outreach and Communications

The NWMO did not initiate formal dialogues in 2006. Rather, we focused on keeping lines of communication open through our website and by responding to inquiries and invitations. Keeping those who could potentially be affected by our work informed helps ensure that they will be prepared to fully participate in implementation. Listening to them helps the NWMO to understand their concerns, questions and other issues which could impact the long-term management of used nuclear fuel. The need for ongoing shared learning reflects what was heard during the study period and prepares all involved for successful future engagement. In 2006, we were pleased to speak to new organizations and to be welcomed back to continue discussions with many of those who contributed in our study phase.

Responding to Invitations

In February we were observers at a community workshop hosted by the Sakitawak Métis Nation as part of its community wellness model. This Northern Saskatchewan community has developed an innovative approach for ensuring it evolves in a way that is consistent with the goals and aspirations of its people. Called the “Sakitawak Métis Cart,” community wellness is maintained through an integrated perspective that brings together concerns for health and social stability; the economy and employment; education; public works and infrastructure; the environment and land access; Métis culture, Aboriginal Traditional Knowledge, and the Michif language; and community services. At its core is a concern for developing capacity within the community to respond to and actively address issues they face.

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The 13th Annual Youth Outdoor Wellness Conference for Aboriginal youth in northern Saskatchewan was held in August near Beauval, Saskatchewan. More than 230 young people attended. The theme, “Learning from our past; planning for our future,” emphasized the importance of interaction between Aboriginal youth and Elders. The NWMO was invited to discuss Adaptive Phased Management and to hear views of the attendees about the long-term management of used nuclear fuel.

In August the NWMO attended the annual meeting of the Athabasca Economic Development & Training Corporation (AEDTC) in Uranium City, Saskatchewan. The invitation was extended so that the AEDTC could inform itself of the NWMO recommendation and reflect on it as members plan for the future of their communities.

We responded throughout the year to many requests for meetings and briefings from diverse groups, including academic institutions where young people were engaged in dialogue about our study and recommendation. Among these opportunities was a lecture on nuclear waste management provided for mechanical engineering students at Carleton University, a similar lecture for a nuclear engineering class at the University of Ontario Institute of Technology, and participation in a seminar on communicating nuclear risk at Victoria University in the University of Toronto.

Other groups which invited and received presentations by the NWMO ranged from the Rotary Club of West Ottawa and the Manitoba

Institute of Management to the Ontario Association for Impact Assessment. We also accepted an invitation to meet with visitors to the Fishermen’s Day festivities in Dipper Harbour, New Brunswick, where we answered questions and distributed newsletters and other materials related to our study and report.

Keeping Others Informed

The NWMO continued to hold meetings with the Canadian Association of Nuclear Host Communities (CANHC) to update the political leadership in reactor-site locales and to hear from them. CANHC is a forum for ten communities in Manitoba, Ontario, Quebec and New Brunswick with nuclear operations within or near their boundaries. A highlight of our sessions with the organization was a detailed discussion in January of CANHC’s independent peer review of the NWMO’s final study and recommendation.

Throughout the year we sought to keep organizations representing different facets of the Canadian nuclear industry aware of our work. As in previous years, several staff members attended the Canadian Nuclear Association annual seminar. Mr. Nash, then-Board Chairman, was a featured speaker whose remarks dealt with elements of a comprehensive nuclear waste strategy. NWMO presentations were also made at conferences organized by the Canadian Radiation Protection Association, Women in Nuclear, and the Canadian Nuclear Workers Council. We also participated in a three-day public forum, “Exploring Saskatchewan’s Nuclear Future,” in Regina.

THE YEAR IN REVIEW

Our website www.nwmo.ca remains an important avenue for communication with the public. Over the course of the year it recorded more than 100,000 visits. The site underwent a minor design change to differentiate between phase-one activities and work underway during the transition. While the quantity of new information posted reflected an organization in transition, we continued to make available news releases, newsletters, speeches, minutes of Board and Advisory Council meetings, as well as reports from issue tables and other fora. Several submissions that were received following publication of the final study were also posted.

More than 125 public inquiries arrived through the website. Similar requests were received by telephone and by mail. Many of our correspondents simply wanted documentation sent to them, particularly printed copies of *Choosing a Way Forward*. Others sought detailed answers to specific questions about the study and recommendation.

Aboriginal Translations

A notable website project in 2006 was completing the translation of the *Choosing a Way Forward* summary into nine different Aboriginal languages. Five translators were involved in the task. A significant outcome is that for the first time a number of nuclear concepts can now be communicated in several Aboriginal languages. Over the course of the NWMO study, more than 2500 Aboriginal Peoples engaged in dialogues on the future management of Canada's used nuclear fuel. Summaries of the study report are now available in: Cree, Ojicree, Swampy Cree, Woodlands Cree, Ojibway, Inuktitut, Passamaquody Maliseet, Dene and Mi'kmaq. The translations are posted at: www.nwmo.ca/studyreport

THE YEAR IN REVIEW

Advancing our Technical Learning

In 2006 NWMO technical research focused on assessing the current state of knowledge on the technical feasibility and safety of sedimentary rock as a potential host rock formation for a deep geological repository. The analysis included meetings and discussions with geotechnical and safety assessment specialists working on the Canadian technical program and specialists from other national radioactive waste management organizations.

Work being done in several countries is showing that sedimentary rock is a potentially suitable host rock formation for a deep repository. Switzerland and France are among countries which are focusing their research efforts on sedimentary formations. Safety cases for repositories in sedimentary rock appear to be strong.

One area of research Canadians have urged us to continue monitoring is the potential for future reuse of used fuel and opportunities to reduce its hazard. To stay abreast of the latest international learning in this field we attended a Nuclear Energy Agency technical information conference in Nîmes, France, where there was an exchange of information about the current state of knowledge on reprocessing, partitioning and transmutation. International research is demonstrating that reprocessing does not eliminate the need for long-term management of residual high-level radioactive wastes.

The NWMO took advantage of learning opportunities at the 2006 International High-Level Radioactive Waste Management Conference in Las Vegas for discussion of scientific, technical, social and regulatory aspects of the “back end” of the nuclear fuel cycle. Staff members also presented papers on both the technical description of Adaptive Phased Management and the NWMO’s study process and recommendation.

At the request of Foreign Affairs Canada, an NWMO staff member joined the Canadian delegation at a bilateral workshop on Spent Fuel and Radioactive Waste Management Technologies at the Kurchatov Institute in Moscow. The event was sponsored by the Department of Foreign Affairs and International Trade and the International Science and Technology Center. The workshop identified several possible areas of common interest for potential collaboration.

THE YEAR IN REVIEW

Ensuring Long-term Financial Capability

An important responsibility under the *Nuclear Fuel Waste Act (NFWA)* is that the NWMO submit a proposed funding formula in our first annual report following the Government's selection of a long-term management approach for used nuclear fuel. The formula must be approved by the Minister of Natural Resources Canada.

In 2006, consistent with intentions set out in our final study, we established principles against which we would propose the funding formula. We began with the fundamental objectives developed collaboratively with Canadians during the study process: "fairness," "economic viability" and "adaptability." We also received guidance from the Canadian Nuclear Safety

Commission regulatory policy P-290, *Managing Radioactive Waste* (2004), which considers the development, funding, and implementation of measures needed to prevent unreasonable risk to present and future generations from the hazards of radioactive waste. Further, we reviewed the funding policies, principles, objectives and experiences articulated by the Nuclear Energy Agency and the International Atomic Energy Agency, as well as other national radioactive waste management organizations. The ethical principles and issues associated with funding long-term nuclear waste management include the "polluter pays" principle, intergenerational fairness, risk, uncertainty and long timeframes for implementation.

Requirements of the *Nuclear Fuel Waste Act*

The *Nuclear Fuel Waste Act* (2002) places a number of requirements on the NWMO for proposing the financial plans for the long-term management of Canada's used nuclear fuel. Section 16(2) of the *NFWA* requires that each annual report after the date of the decision of the Governor in Council must include:

(a) the form and amount of any financial guarantees that have been provided during that fiscal year by the nuclear energy corporations and Atomic Energy of Canada Limited under the *Nuclear Safety and Control Act* and relate to implementing the approach that the Governor in Council selects under section 15 or approves under subsection 20(5);

(b) the updated estimated total cost of the management of nuclear fuel waste;

(c) the budget forecast for the next fiscal year;

(d) the proposed formula for the next fiscal year to calculate the amount required to finance the management of nuclear fuel waste and an explanation of the assumptions behind each term of the formula; and

(e) the amount of the deposit required to be paid during the next fiscal year by each of the nuclear energy corporations and Atomic Energy of Canada Limited, and the rationale by which those respective amounts were arrived at.

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The NWMO continues to address the issue of financial surety and has prepared a preliminary update to its estimate of used fuel liability and the corresponding contributions to trust funds and segregated funds that will be necessary to finance the long-term management of used nuclear fuel. As of June 30, 2006, the total used nuclear fuel inventory discharged from the nuclear reactors in Canada was about 1.88 million fuel bundles. The committed liability associated with this used fuel inventory is about \$1.3 billion (January 1, 2007 \$) for interim storage and retrieval of used fuel at the reactor sites, which is funded by the individual waste owners on an ongoing basis, and about \$4.4 billion (January 1, 2007 \$) for the development, construction and operation of a central long-term management facility, which is funded by the NWMO from segregated funds and trust funds. As of December 31, 2006, the total value of the waste owners' used fuel trust funds and segregated funds is \$3.3 billion.

In the period following the Government's decision, and in collaboration with our Member organizations, the NWMO is prepared to finalize its funding formula proposal. Confirming the financial contributions of nuclear fuel waste owners, and when they will be made, is essential to provide certainty and financial surety for the long-term implementation and operation of the management approach.

Preparing for a New Mandate

The NWMO will soon complete its transition from that of a study organization to an implementing agency. We will be responsible for managing, coordinating and implementing all aspects of the management approach selected.

Since our establishment in 2002 we have sought to understand and be responsive to the expectations Canadians hold for how a long-term management approach is implemented. We heard that the way an approach is implemented is as important to its acceptability as the technology used, and we received very specific direction on the requirements of an appropriate implementation plan. In 2006, building on earlier learning, we initiated a qualitative public-opinion research project to explore further the expectations Canadians have of the NWMO as an implementing organization. While this research is continuing, we have received a range of views from a cross-section of citizens in focus-group meetings held in four Ontario communities – Kingston, Sault Ste. Marie, Toronto and Scarborough – as well as Regina, Saskatchewan; Montreal, Quebec; and Saint John, New Brunswick. A total of 134 people participated in two groups in each location.

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Expectations for Implementation

Participants in our focus-group meetings expect the NWMO to be a visible organization at work on an important public issue. Many said a multi-disciplinary group that can be trusted to lend a balanced perspective on actions taken by the organization is desired. Participants strongly favoured the NWMO undertaking public education activities so that Canadians can learn more about the issue. There was much agreement that the NWMO be seen or recognized as the organization that informs Canadians on the implementation process, and about used nuclear fuel in an objective way.

Participants also discussed research and development. They expect the NWMO to continue to build new knowledge and to take this into account. They also felt the public should be kept up to date about emerging innovation.

Third-party verification was discussed in the context of providing a measure of trust and credibility. Some participants said they would be more likely to believe the NWMO is trustworthy if it was endorsed by other organizations or credible experts. Others wanted assurance that the work of other countries is considered. All supported the belief that for Canadians to trust the NWMO they will want to know that the best knowledge and expertise is being brought to bear on the issue and that the organization's actions are measured against a benchmark set by an independent organization.

Participants unanimously called for easily accessible reports, distilled in easy-to-understand, non-technical language.

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Strengthening Oversight and Accountability

The high level of effort offered by NB Power Nuclear, Hydro-Québec and Ontario Power Generation Inc. throughout 2006 is indicative of the strong commitment the founding members have to setting the NWMO on an appropriate foundation for its renewed mandate. Members are committed to good governance and to certainty regarding the sharing of financial responsibilities over the course of implementing Canada's chosen approach for the long-term management of used nuclear fuel.

Expanding the Board of Directors

Anticipating the next phase of the organization's work, the NWMO founding member corporations considered future governance, including composition of the Board of Directors. During public engagement activities throughout the study phase, there were expressions of concern about the limitations of a Board composed entirely of nuclear waste owners. There were calls for a broadening of Board membership to allow for a greater range of perspectives. The founding Members take this issue seriously and have sought to be responsive. Accordingly, in 2006, the NWMO Board initiated a search and recommended to OPG two candidates who would bring more diversity of experience, skill, and perspective to the Board. Additional scope was achieved when a third director was identified and named to succeed an outgoing board member. These undertakings resulted in the appointments of Ron Jamieson, Deborah Poff and C. Ian Ross as of March 2007. The addition of these directors, who bring a breadth of experience, represents a positive stride taken toward strength-

ening the Board, building trust and credibility, and addressing the requisite skills and expertise that will be required of directors as the organization's mission and operating environment evolve.

Providing for Independent Advice

In its comments on the NWMO study, the Advisory Council recommended that a review of its future role and composition occur to ensure the appropriate range of knowledge, expertise, and perspectives relevant to an implementing organization is available. The Board undertook preliminary discussions with the Council on these matters in 2006, and will continue this work in 2007.

Cost Sharing and Decision Making

The member corporations provide the NWMO's operational funding. When the organization begins its implementation mandate a new set of cost-sharing and decision-making arrangements will be required. Anticipating this need, the Members invested significant effort in 2006 in developing a new general by-law and a new Membership Agreement. These are being readied for adoption.

Furthering our International Relationships

The NWMO has strong relationships within the international nuclear waste management community and keeps a close watch on the progress of others, just as they monitor our activities. When our final study was published in November 2005, our Adaptive Phased Management recommendation was well received in other countries. The NWMO was recognized for its innovative engagement process and for setting a new standard for exploring social and ethical issues, while taking into account the best available technical input.

THE YEAR IN REVIEW

The NWMO has much to benefit from a commitment to the international exchange of learning and experience. Some of this is achieved through formal research linkages and partnerships. Additionally, as part of our commitment to maintain a watching brief on research elsewhere, the NWMO continued in 2006 to participate in international workshops, conferences and symposia.

Reporting on Progress Internationally

As a signatory to the *Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management*, Canada is obligated to achieve and maintain a consistently high level of safety in the management of used fuel and other radioactive waste. When the Joint Convention convened its second review meeting in May 2006, the NWMO participated as a member of the Canadian delegation that was led by the Canadian Nuclear Safety Commission. The meeting provided an opportunity for the Canadian delegation to benchmark itself against our international peers and benefit from a valuable exchange of research and experience. The NWMO reported on our recommendation to demonstrate Canada's progress in meeting its commitments under the terms of the Convention for long-term used fuel management. Through this peer-review process, participants observed that Canada and other signatories had demonstrated a commitment to improving policies and practices in their national strategies. The international community is looking forward to continued progress by the NWMO in implementing Canada's long-term management approach for used nuclear fuel following a Government decision.

Putting Nuclear Safety First

The objectives of the *Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management* are:

- (i) to achieve and maintain a high level of safety worldwide in spent fuel and radioactive waste management, through the enhancement of national measures and international co-operation, including where appropriate, safety-related technical co-operation;
- (ii) to ensure that during all stages of spent fuel and radioactive waste management there are effective defenses against potential hazards so that individuals, society and the environment are protected from harmful effects of ionizing radiation, now and in the future, in such a way that the needs and aspirations of the present generation are met without compromising the ability of future generations to meet their needs and aspirations; and
- (iii) to prevent accidents with radiological consequences and to mitigate their consequences should they occur during any stage of spent fuel or radioactive waste management.

THE YEAR IN REVIEW

Sharing with Other Countries

Throughout 2006, the NWMO sought to learn from others and also contribute to the dialogue on best practices in engagement and siting processes by participating in, and delivering papers at, various international meetings and conferences.

The NWMO participates in the Nuclear Energy Agency (NEA) within the Organization for Economic Cooperation and Development (OECD). The organization provides a forum for 28 countries, including Canada, to share information and experience and promote co-operation. NWMO contributions in 2006 included a formal presentation on our three-year public engagement program on management approaches for used nuclear fuel. We also continued our participation in the Agency's Forum for Stakeholder Confidence meetings.

Early in the year, NWMO President Ken Nash was named to chair EDRAM, the international organization for the environmentally safe management of radioactive material. His appointment extends to 2008. EDRAM has 11 participating organizations from the United Kingdom, Sweden, Finland, Germany, Switzerland, France, Belgium, the United States, Canada, Spain, and Japan. Members meet to discuss and learn about progress and challenges in their various national radioactive waste management programs. Members subscribe to the principle that the burdens and responsibilities for taking care of radioactive waste should not be passed on to future generations. They believe that radioactive waste is a social and technical issue, and that there is a need for flexibility and open and ethical involvement of stakeholders in decision making about nuclear waste management.

A topic of much international interest is the pending shortage of skilled workers in the nuclear industry. It was the subject of a UK-Canada workshop organized by the Ottawa-based British High Commission and convened in Toronto in March 2006. The NWMO participated, along with representatives of government, industry and academia, in the investigation of opportunities for UK-Canada collaboration in nuclear skills training.

Also in March, then-President Elizabeth Dowdeswell addressed the topic "A contract between science and society" at a Radioactive Waste Management conference in London, England. She also made a panel presentation at the European Nuclear Assembly in Brussels.

Social issues were the focus of the biennial VALues in Decisions On Risk (VALDOR) symposium in Sweden, where NWMO staff discussed the NWMO study and process of collaborative development. Staff also attended and participated in the annual International Association for Impact Assessment conference in Norway, an important part of which included securing indigenous peoples' participation and integrating their local knowledge in impact assessment processes.

Another opportunity for information exchange was the Pacific Basin Nuclear Conference in Australia, where NWMO staff spoke to delegates about our recommendation and Advisory Council member Dr. Derek Lister presented a paper outlining the perspectives of the Advisory Council on the NWMO study process and recommendation.

THE YEAR IN REVIEW

International Advances

Several countries moved forward with decisions in 2006 on the long-term management of their used nuclear fuel and high-level radioactive waste. The United Kingdom and France have both adopted collaborative step-wise approaches.

In June 2006, the French government approved a step-wise nuclear waste management strategy following a 15-year research program into partitioning and transmutation, options for retrievable and non-retrievable disposal in deep geologic formations, and conditioning and long-term surface storage techniques. The 2006 *French Planning Act* calls for submission of a licence application for a reversible deep geological repository by 2015 and commissioning of the deep repository by 2025.

In July 2006, the Committee on Radioactive Waste Management (CoRWM) in the United Kingdom proposed a flexible strategy able to incorporate new technological developments and adapt to changing circumstances in the future. Responding to the recommendations in October the government said they provided a strong basis for moving forward with clarity and consensus. The Nuclear Decommissioning Authority was given responsibility for implementing the approach.

Sweden is well advanced in implementing a step-wise approach to select a site for a deep geological repository in the next few years and to begin operation of the deep repository by 2020. In Finland, a willing host community and final site have been identified. Construction of an underground characterization facility is well underway, and operation of the deep repository is also expected by 2020.

The NWMO will continue to monitor and learn from international experience. We will be ready to implement the Canadian strategy when the Government selects a management approach.

LOOKING FOWARD

Looking Forward

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LOOKING FORWARD

In anticipation of a Government decision and a mandate to implement a long-term management approach for used nuclear fuel, the NWMO will focus its 2007 activities in areas that will lay the foundation for implementation.

NWMO Work Program – 2007

The NWMO work program for 2007 is organized in several key areas. Our priorities include:

- designing a well-resourced and integrated organization, committed to a common vision of implementation with strategic oversight by a strong Board of Directors and guidance by an active Advisory Council;
- initiating, following a Government decision, the collaborative design of a siting process and a citizen engagement program to support it;
- expanding the base of technical research and development required to support the further design and guide implementation of the selected management approach;
- expanding the base of social research to understand the various communities of interest, how best to engage them, and the range of social and ethical issues to be addressed; and
- continuing to engage and build relationships with a range of stakeholders and potentially affected communities of interest.

LOOKING FORWARD

Accountability

A continued focus on building strong governance and management practices will be critical as the NWMO demonstrates accountability to citizens and to its member corporations for direction on the long-term management of used nuclear fuel.

Under the Board of Directors' guidance, the NWMO will review and refine its policies and procedures to support evolution into an implementing agency. With strategic direction from the expanded Board, we will develop a five-year plan to set the course for implementing the Government's decision. A multi-phased strategic-planning process will identify key objectives and milestones for the early years of implementation and for the design of a siting process. We will develop workplans that bring life to the commitments and principles set out in our final study.

Building our Capacity

The evolution of the NWMO from a small study-based team to a sustainable corporation with the necessary skills and capacity to implement a long-term management strategy for used nuclear fuel brings with it challenges and also significant opportunity. The transition will demand specialist knowledge in a broad range of areas and require the establishment of vibrant technical and social research programs to support the early phases of implementation over several decades. The year 2007 will see the first phase of expansion of our internal staff resources.

The NWMO is mindful of the need to invest today in youth to ensure that a succession of skills and resources are available during the long

timeframe over which the organization will be expected to operate. This will require adopting a longer-term human resources planning horizon, expanding our staff complement to support continuity. In this regard we look forward to offering career opportunities within the organization to recent graduates, who will begin their internships with the NWMO in 2007.

We will also invest in the organization by building our internal skills capability to address near and medium-term planning horizons. An important first step was strengthening the technical arm of the NWMO. Effective January 2007, the team of specialists from Ontario Power Generation Inc. that has been leading Canada's long-term used fuel technical research program has been integrated into the NWMO. We will be enhancing our staff capacity in social and ethical research as well, to improve the design and delivery of engagement programs. We will also work to ensure the viability of the NWMO through training and development at all levels and focused efforts on succession planning.

In addition to building our own expertise, we are further expanding our capacity through external networks and contractors, including Canadian universities. These latter arrangements are part of a concerted effort to maintain capability and to ensure a broad research input that will support the different phases of our collaborative decision making, including a future siting process. A strong research and development program will ensure that Canada benefits from leading-edge innovation in radioactive waste management and will grow the human resource capacity required to manage Canada's strategy through all its phases of implementation.

LOOKING FORWARD

Technical Research

As of January 2007, the NWMO assumed responsibility for managing and directing all aspects of the established technical research program on used nuclear fuel in Canada. More than \$7.1 million will be invested this year in technical research and development, which will focus on used fuel storage and repository engineering, geoscience, safety assessment and technical support to the development of a collaborative siting process.

The NWMO will actively participate in joint research and development (R&D) projects at the Äspö Hard Rock Laboratory in Sweden and will continue to benefit from international cooperation agreements with other national radioactive waste management organizations including SKB in Sweden, Posiva in Finland and Nagra in Switzerland. We will also support research initiatives through Canada's membership in the OECD Nuclear Energy Agency.

A strong R&D program will ensure that Canada benefits from leading-edge technological innovation in radioactive waste management developed domestically and elsewhere, and also that we maintain the necessary human resource capacity to manage whichever approach the Government selects through all phases of implementation. In this regard, we plan to contract with 11 different Canadian universities in 2007 to support the technical program. We will draw on the best available knowledge in radioactive waste management in Canada and internationally.

Designing a Siting Process

The NWMO has committed to seek an informed, willing community to host any central facilities which may be required to implement a long-term management approach for used nuclear fuel. Before we begin to look for a site, a selection process must be carefully and collaboratively designed, and a program of public engagement to support the exercise must be articulated. This work is expected to take two years.

Effective implementation will require that the site-selection process itself is designed in a manner that fulfills the expectations of Canadians. As a starting point, the NWMO will meet the commitments and intentions articulated in our final study. An ethical outcome is one that is responsive to the values and concerns of society. Consequently, how the siting process is developed will be as important as how it is later implemented. Such questions as how to define "communities of interest," how to demonstrate fairness, how to measure community acceptance and how to manage risk and impacts appropriately require the input of citizens. We will learn from and incorporate the best Canadian and international practices of open and participatory siting processes. We will continue to employ appropriate approaches and tools used in our earlier study phase, particularly seeking integration of technical, social, ethical, environmental and economic elements.

LOOKING FORWARD

Engagement, Collaboration and Social Research

Implementation of a nuclear waste management approach will demand consistency in our mission, vision and values, and a continued commitment to social, ethical and technical research and collaboration. In all of our work, we will aspire to develop the NWMO and our work plans in ways that allow us to earn trust and confidence.

We want to shape a path forward that is responsive to the guidance and expectations of Canadians and will continue to solicit their views to do so. We are committed to acquiring and incorporating new knowledge through an active program of social research that will explore a range of questions to inform both our longer-term sustained implementation preparations as well as the specific requirements for designing a siting process. More than \$1.6 million will be invested in 2007 to conduct social research and engagement to better understand the breadth of communities of interest, how best to engage them, and the range of social and ethical issues that will need to be addressed. Up to a further \$1.1 million will be available for additional research specific to developing a siting process only after a Government decision on a management approach is reached.

The NWMO is committed to being a good corporate citizen. To promote positive relationships with those we engage, we are proposing the development of a corporate citizenship program for which we will consider a range of activities that are mutually beneficial to the NWMO and its various communities of interest. Implementation will begin in the latter part of 2007.

As we prepare for the second phase of our mandate, we will continue looking at many of the complex and contentious issues related to siting and designing a central facility. We have much to learn about involving a broad range of communities of interest, developing community capacity to engage in our processes, and how to effectively inform and educate them on matters critical to our work.

We will also undertake activities to deepen our understanding of Aboriginal Traditional Knowledge and how it can inform the implementation of a management approach for used nuclear fuel. We intend to further our goal of building the needed foundation for a long-term positive relationship between Canada's Aboriginal peoples and the organization. We are looking forward to working together with the newly formed Aboriginal Working Group to learn from one another and to shape our future engagement with Aboriginal people.

The NWMO has developed relationships with a wide cross-section of communities of interest. Nurturing and building on these diverse associations will be key to sustaining the dialogue that will be necessary for us to design collaboratively a siting process and later to implement it.

Relocating our Operations

NWMO is planning to relocate its office in mid-2007 in order to accommodate a growing staff complement. Our new location at 22 St. Clair Avenue East is in the same Toronto neighbourhood as our current offices, readily accessible by transit for those who wish to be involved in our work.

OUR ORGANIZATION

Our Organizational

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OUR ORGANIZATION

The Members

The *Nuclear Fuel Waste Act (NFWA)* assigns responsibility to the nuclear energy corporations to establish and fund the NWMO's operations. Accordingly, Ontario Power Generation Inc., New Brunswick Power Corporation and Hydro-Québec were founding Members of the NWMO and, under the *NFWA*, must remain Members of the organization. Consistent with their statutory obligations, the member companies developed formal cost-sharing provisions for the NWMO's annual operating budget. Jointly they developed the underlying governance structures for the NWMO.

The Board of Directors

The Board of Directors is responsible for oversight of the NWMO and taking a leadership role in the development of the corporation's strategic direction.

As at December 31, 2006, the Board was composed of five directors.

Dr. Gary Kugler was appointed to the Board of Directors effective June 1, 2006. By resolution of the Board he was named Chairman effective June 30, 2006. Other directors included Ken Nash, Fred Long, Laurie Comeau and Michel Rhéaume.

Mr. Long was succeeded by C. Ian Ross on March 1, 2007. Mr. Rhéaume was succeeded by Ms. Diane Villeneuve on December 31, 2006; Ms. Villeneuve was then succeeded by Ms. Josée Pilon effective January 26, 2007. Former member Ms. Adèle Malo resigned from the Board effective March 17, 2006.

On March 1, 2007 Ron Jamieson and Deborah Poff accepted invitations to join the Board. Currently the Board is composed of seven directors.

The Board of Directors convened seven meetings in 2006. A focus of its activities was preparatory work to equip the NWMO with the resources and oversight it will need to successfully implement a long-term strategy for managing used nuclear fuel. In June, the Board appointed Mr. Nash to the office of President and CEO, succeeding Elizabeth Dowdeswell who had successfully completed her mandate when the study phase concluded. Ms. Dowdeswell agreed to continue to support the Board as a Special Advisor.

Regular updates on the in-year business plan were provided to the Board by management, with the President offering briefings on specific workplan items and other activities. Directors were kept informed by the Special Advisor to the Board on preliminary considerations for the future development of a siting process that seeks to be both adaptive and collaborative. Also with a view towards implementation, the Board reviewed options for oversight of the technical and social programs that will be required to implement a long-term management approach. Input on these and other matters was sought from the Advisory Council as well. Early in the year the Board reviewed and approved the 2005 audited financial statements. These were presented to the NWMO Members for approval at the corporation's Annual General Meeting in May. Throughout the year the Board was regularly apprised of the organization's expenditures and financial

OUR ORGANIZATION

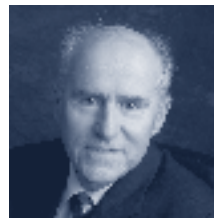
position. The 2007 business plan and budget were presented to the Board for approval in the fall of 2006.

The Board of Directors directs that minutes of its meetings be posted on the NWMO's corporate website. (www.nwmo.ca/board)

The Board's Audit, Finance and Risk Committee convened four meetings in 2006. It provided oversight of the external audit of the NWMO's 2005 financial statements, advising on selection of the auditors, terms of the audit service plan and meeting with the auditors to discuss their findings. The Committee regularly reviewed in-year budget projections, quarterly financial statements and key elements of the 2007 business plan in advance of presentation to the full Board. Members reviewed the organization's business risks and ways of managing them, including current issues and those that will be applicable when implementation of a strategy begins. The Committee regularly reported its findings and recommendations to the Board of Directors.

As at December 31, 2006, the Board's Audit, Finance and Risk Committee was composed of three members of the Board of Directors: Dr. Long, Dr. Kugler and Mr. Rhéaume.

The Board of Directors



Dr. Gary Kugler
Chairman

Dr. Gary Kugler is the retired Senior Vice President, Nuclear Products and Services of Atomic Energy of Canada, Limited (AECL), where he was responsible for AECL's commercial operations. During his 34 years with AECL, he held various technical, project management, business development and executive positions. Prior to joining AECL, he served as a pilot in the Canadian air force. Dr. Kugler also serves on the Board of Ontario Power Generation. He holds a Bachelor of Science degree in honours physics and a Ph.D. in nuclear physics from McMaster University.

OUR ORGANIZATION



Laurie Comeau
Manager, Projects
Point Lepreau Generating Station
NB Power Nuclear

Mr. Comeau's 25-year career in the nuclear industry has been focused on radiation safety, conventional safety, environmental monitoring, dosimetry, emergency preparedness, fire prevention and waste management. He is the Manager of Projects at the Point Lepreau Nuclear Generating Station in New Brunswick.



Ronald (Ron) L. Jamieson
(appointed March 1, 2007)
Director

Ontario Power Authority

Ron Jamieson is a member of the Board of Directors of the Ontario Power Authority. Prior to his retirement in late 2005, he served as Senior Vice-President, Aboriginal Banking, BMO Bank of Montreal. Mr. Jamieson has held several senior executive positions in the

financial services industry. Throughout his career, he has also been active in economic development initiatives for Aboriginal communities across Canada. Mr. Jamieson also served as chairman, president and CEO of Ontario Energy Corporation, whose mandate was to invest or participate in energy projects throughout Canada.



Fred Long *(resigned March 1, 2007)*
V.P., Financial Planning
Ontario Power Generation Inc.

Dr. Long joined Ontario Hydro in 1976 after earning his Ph.D. in physics from McMaster University. He has held numerous positions in financial planning, financial policy and strategy, and operational audit. Prior to his current position as Vice President, Financial Planning at OPG, Dr. Long was Director of Financial Strategy, where he played a leadership role in the financial restructuring of Ontario Hydro into its successor companies.

OUR ORGANIZATION



Ken Nash

President & CEO, NWMO, and Senior V.P.,
Nuclear Waste Management Division
Ontario Power Generation Inc.

Mr. Nash is a founding director of the NWMO and the immediate past-chair of the organization's Board of Directors. He has held a number of senior management positions at Ontario Hydro and OPG in the areas of finance, engineering, and environmental management and most recently is Senior Vice President, Nuclear Waste Management Division. Mr. Nash is the President and CEO of the NWMO. He is also the current Chair of EDRAM, an international organization of the heads of waste management organizations from ten countries, including Canada.



Josée Pilon *(appointed January 26, 2007)*
Special Projects Manager
Hydro-Québec

Ms. Pilon is an MBA graduate of Laval University. She is member of the steering committee on the evaluation project for the rehabilitation of Gentilly-2. As a special projects manager, she is responsible for evaluating business opportunities for new sources of energy from the private sector including wind power, biomass and hydroelectric. She is also involved on the financial impact evaluation of new hydroelectric projects on municipalities. Prior to her current position, she held numerous business development positions in international projects.

OUR ORGANIZATION



Deborah C. Poff (*appointed March 1, 2007*)

Professor, Philosophy and Political Science
University of Northern British Columbia

Deborah Poff is a Professor of Philosophy and Political Science at the University of Northern British Columbia. From 1994 to 2004, Dr. Poff was Vice-President and Provost at UNBC. In 2004, she was awarded a Fellowship in Public Policy with the Sheldon Chumir Foundation in Ethical Leadership. She is the founder and editor of the *Journal of Business Ethics*, *Teaching Business Ethics*, and the *Journal of Academic Ethics*. She is the editor of *Business Ethics in Canada*. Dr. Poff is currently working on a book on ethical leadership and the future of university governance.



Michel Rhéaume (*resigned December 31, 2006*)

Environmental, Regulatory Affairs and Public Consultation Manager (January 1 – 31, 2006) and Nuclear Business Spokesperson (February 1 – December 31, 2006), Hydro-Québec; CEO, RHEM Technologies Inc.

Mr. Rhéaume is a physics graduate of the Université du Québec à Trois-Rivières. He began his career at Hydro-Québec in 1975 and before his retirement had been a manager in: Health Physics, Emergency Preparedness, Environment, Nuclear Safety and Licensing and Nuclear Waste Management. He is a consultant and Chief Executive Officer of RHEM Technologies Inc.



C. Ian Ross (*appointed March 1, 2007*)

Chairman

GrowthWorks Canadian Fund Ltd.

Ian Ross served at the Richard Ivey School of Business at the University of Western Ontario from 1997 to September 2003. Most recently he was Senior Director, Administration in the Dean's Office, and was also Executive in Residence for the School's Institute for Entrepreneurship, Innovation and Growth. He has served as Governor and President and CEO of Ortech Corporation; Chairman, President and CEO of Provincial Papers Inc.; and President and CEO of Paperbound Industries Corp. Mr. Ross currently serves as a Director for a number of corporations, including Ontario Power Generation Inc. He is also a member of the Law Society of Upper Canada.

OUR ORGANIZATION

Officers

Gary Kugler

Chairman of the Board

Ken Nash

President and CEO

Fred Long

Treasurer

Kathryn Shaver

Vice President, Corporate Affairs
& Corporate Secretary

Notes

Elizabeth Dowdeswell was President and CEO through to June 30, 2006. Ken Nash was appointed President and CEO on June 30, 2006.

Angelo Castellan succeeded Fred Long as Treasurer on March 1, 2007.

The NWMO Team

As at December 31, 2006, our core staff complement included 12 individuals.

The organization was fortunate to retain the interdisciplinary team which oversaw the study. Staff capabilities are wide-ranging and included: social and ethical research, technical research, public engagement, communications, financial administration and governance.

During 2006, the NWMO team expanded to include an Aboriginal intern working with our Senior Advisor for Public Engagement and we strengthened our capabilities in governance and corporate services.

In January 2007 the NWMO took steps to further expand the breadth of its internal capacity. We were pleased to welcome to the team more than ten new members who bring leadership in a wide variety of technical elements of long-term nuclear waste management.

The NWMO is proud to work closely with an extended family of consultants, practitioners, and academics from across Canada and around the world. Each of these individuals, institutions and firms bring relevant specialist contributions to the organization's initiatives and ongoing project work.

Our Head Office

The head office of the Nuclear Waste Management Organization (NWMO) is located at: 49 Jackes Avenue, First Floor, Toronto, Ontario, M4T 1E2.

THE ADVISORY COUNCIL

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THE ADVISORY COUNCIL

The Advisory Council

The NWMO Advisory Council was established by the Board of Directors in 2002 as required by the *Nuclear Fuel Waste Act (NFWA)*. The Council met its statutory obligations of reviewing and commenting on the NWMO study in 2005 and its comments were made public when the study was submitted to the Minister of Natural Resources Canada.

In 2006 the Advisory Council continued its important role of providing ongoing independent guidance and advice to the NWMO as the organization conducted advance planning for its future implementation mandate.

At each of the four formal Council meetings convened in 2006, the NWMO presented reports on proposed workplans, work in progress and completed activities. Members were regularly briefed on social and technical research programs and engagement plans and updates were provided on international developments concerning long-term planning for used nuclear fuel. Each meeting included an *in camera* session where members deliberated privately without the presence of NWMO staff or management. Council members also convened as required between meetings for informal discussions and conference calls.

Specific matters considered by the Council in 2006 included the NWMO's planning for future engagement with Aboriginal people and the broader public, as well as organizational design and governance issues to support the transition into an implementation agency.

In a series of discussions with the Advisory Council early in the year, the NWMO engaged members regarding its analysis of public engagement practices used during the study. Expressing support for the review and the NWMO's commitment to continuous improvement in its processes, Council discussed at length how the review might be structured. Members also contributed their reflections on how lessons relevant to future planning might be drawn.

During the exchange of views, individual members provided observations based on dialogues that they had personally attended to hear the public discussion first hand. They offered their own perspectives on some of the lessons learned, as well as practices and principles which may assist in shaping effective engagement during implementation. For example, the Council expressed support for the manner in which the NWMO structured its study engagement in phases around major components and decision points in the process. This approach of proceeding in stages, providing information, inviting discussion and reporting back was seen as an effective way of ensuring meaningful and ongoing public contributions in the future. Council also underscored the importance of communications planning that will be needed to support the NWMO's future launch of its implementation work and the need to provide clarity about the NWMO mandate and the selected management approach.

Another NWMO work area reviewed by the Advisory Council was the desktop studying and advance planning being done for the development of a siting process, to commence

THE ADVISORY COUNCIL

after the Government's decision on a management approach. Staff sought input on the scope of case studies and literature reviews proposed to help inform the future design of implementation plans. Valuable advice provided by the Council included its proposal that the case-study work would benefit from a review of a range of projects such as land-use planning exercises, mine decommissioning endeavours and developments involving co-management with local communities of interest. Members also suggested that processes involving the transportation of hazardous material be researched. The Council emphasized that the review be undertaken in light of the broader economic, social, cultural and political contexts of the respective jurisdictions in which the processes unfolded. All of this input assisted the NWMO in refining the project dimensions and confirming appropriate case studies for review.

In fall 2006, the Council reviewed with NWMO staff lessons learned from several Canadian and international case studies drawn from discussions with practitioners and the case-study research. As the Council discussed siting processes and societal engagement experiences in different countries, members emphasized the importance of understanding specific communities of interest and their key issues and concerns for implementation.

Elizabeth Dowdeswell, the Special Advisor to the Board, kept Council members updated on preliminary considerations for the future development of an adaptive and collaborative siting process. Council members discussed extensively various aspects of the proposed workplan, in particular the NWMO's

Advisory Council – Mandate

Following the Government's decision on a long-term management approach for used nuclear fuel, the *Nuclear Fuel Waste Act (NFWA)* requires the Advisory Council to provide written comments for inclusion in the NWMO's triennial reports which are prepared for submission to the Minister of Natural Resources Canada.

The *NFWA* specifies that the Advisory Council must comment on the NWMO's activities for the previous three years, including the results of the organization's public consultations and analysis of any significant socio-economic effects of its activities.

The Advisory Council must also comment on the NWMO's five-year strategic plans and budgets for implementing the management approach selected by the federal government.

The NWMO must submit the Council's comments to the Minister and make those comments available to the public.

preliminary views on communications and approaches for maintaining relationships with communities of interest. Members were supportive of developing the siting process in a manner that will build on what we learn about the most effective approaches and tools that were employed in the earlier study process.

THE ADVISORY COUNCIL

During their discussion, the Advisory Council specifically remarked on the challenge of sustaining broad public interest throughout what will be a lengthy process. Members stressed the importance of maintaining effective relationships. Some underscored the need for the NWMO to continue national and international engagement even as the process becomes focused on siting and implementation.

The Advisory Council provided advice on the design of a number of Aboriginal engagement activities in 2006. Specifically, the NWMO invited counsel on the design of two issue tables, one addressing effective two-way communications between the NWMO and Aboriginal people, and the other regarding innovative approaches to natural resource management. Council members participated in each of these sessions convened in May and June. They noted the strong level of engagement among participants at the meetings.

Later in the year, the NWMO sought advice on the structure of the Aboriginal Elders' Forum, which was re-convened in October and also attended by several Council members. The Advisory Council reiterated its support for continued Aboriginal engagement and underscored the significance of the opportunity presented by the Elders' Forum of the proposed working group. Members noted the importance of continuing the involvement of youth in both.

The Advisory Council Sub-Committee on Aboriginal Engagement provided valuable advice to the NWMO throughout the year. In particular, the NWMO sought the Sub-

Committee's counsel on the design and focus of the two issue tables conducted in 2006. Members of the Sub-Committee are the Honourable David Crombie, Mr. Donald Obonsawin and Dr. Frederick Gilbert.

The President and Board Chairman engaged the Advisory Council in discussion about governance work being done to support the NWMO's transition to an implementing agency. Council members were kept informed of preparatory work being led by the Board of Directors and the Member organizations, including progress on the expansion of the Board of Directors. The Board Chairman also invited preliminary discussion on the mandate and composition of the Advisory Council for the next phase of NWMO's mandate. Members confirmed their interest in contributing their views to the Board on the Council's future terms of reference, membership requirements and how the Council can best maintain its independence while offering counsel to NWMO on an ongoing basis.

In the latter part of the year Advisory Council members reviewed and commented on the 2007 NWMO business plan. They expressed agreement with the plan's approach of building capacity within the organization and adding technical research resources to the existing staff to support the NWMO's transition. Members also discussed the NWMO's proposal to establish a corporate citizenship program and expressed their desire to offer guidance on this program development in 2007.

THE ADVISORY COUNCIL

The Advisory Council received briefings from NWMO staff on a number of selected topics in 2006. Meetings in March and May focused on presentations of various aspects of the organization's social research and planning. In September, members were briefed on international decision making and other developments in the field of long-term management of used nuclear fuel. In November, staff led a discussion about the technical research and development program on used nuclear fuel, highlighting the areas of repository engineering, safety assessment and geoscience.

During the year, a 2005 paper presented by Council member Dr. Daniel Rozon was brought forward for discussion. Dr. Rozon assessed the characteristics of used fuel and how they may affect decisions on its long-term management. The internal paper evaluated differences between used fuel from CANDU reactors and that from Pressurized Water Reactors (PWRs), pointing out that the intrinsic value of residual fissionable material is lower in the former even though the overall resource utilisation is higher. Such considerations are important for concepts involving potential retrievability for recycling or reprocessing.

Advisory Council members continued their practice of participating in external activities attended by the NWMO. Notably, Dr. Lister presented at the Pacific Basin Nuclear Conference where he described for delegates the Advisory Council's role in the NWMO study process.

To ensure a comprehensive exchange of information, the Advisory Council Chair continued to have direct access to all NWMO Board meetings. These sessions provided regular opportunities for an informal exchange of views and a conduit for the Chair to keep the Council fully informed on Board matters. As was the practice throughout the study, the Board and Advisory Council members met to informally exchange views.

At the Advisory Council's request, the NWMO records formal minutes of Council meetings and makes them publicly available. These can be found on the NWMO website at: www.nwmo.ca/advisorycouncil.

There are currently nine members of the Advisory Council. They are:



Honourable David Crombie Chairman

The Honourable David Crombie is the current President and CEO of the Canadian Urban Institute and Chair of Ontario Place. He is a past mayor of the City of Toronto and a Privy Councillor. Mr. Crombie was the first Chancellor of Ryerson University and is the recipient of honorary doctorates of law from the University of Toronto and the University of Waterloo. Mr. Crombie is an Officer of the Order of Canada.

THE ADVISORY COUNCIL



David Cameron

David R. Cameron is the Chair of and a Professor in the Department of Political Science at the University of Toronto and a Fellow of the Royal Society of Canada. He has held a number of senior government positions in both the federal and Ontario civil services. He continues to advise on a wide range of governmental issues.



Gordon Cressy

Gordon Cressy retired as President of the Canadian Tire Foundation for Families early in 2007. A past President of the United Way of Greater Toronto, he has held Vice-President positions at both the University of Toronto and Ryerson University. Mr. Cressy has a lengthy record of community involvement.



Helen Cooper

Helen Cooper has devoted most of her professional career to strategic planning and development for broader public sector and not-for-profit organizations. She has practiced as a mediator and adjudicator in dispute resolution and has taught courses in urban planning at both Queen's University and the University of Waterloo. She is a former mayor of Kingston, Ontario, and a former president of the Association of Municipalities of Ontario.



Frederick Gilbert

Frederick Gilbert is the President of Lakehead University in Thunder Bay, Ontario. He has had an extensive teaching, research and administrative career in the United States and Canada at Colorado State University, the University of Northern British Columbia, Washington State University, the University of Guelph and the University of Maine, and also has held several environmental and wild-life management public service appointments and positions. His research interests included resource management and the sustainable use of the natural environment.

THE ADVISORY COUNCIL



Eva Ligeti

Eva Ligeti is the Executive Director of the Clean Air Partnership, a non-profit organization with a mandate to make Toronto more environmentally sustainable and a world leader in clean air. A lawyer, she served as Ontario's first Environmental Commissioner from 1994 to 1999.



Donald Obonsawin

Donald Obonsawin is the President and CEO of Jonview Canada Inc. He has been Deputy Minister of seven Ontario government ministries over a 15-year period. He has also held senior positions with the federal departments of Indian Affairs and Northern Development and Health and Welfare Canada.



Derek Lister

Derek Lister is Professor Emeritus in the Chemical Engineering Department at the University of New Brunswick in Fredericton, where he also holds the Research Chair in Nuclear Engineering. His main research interests are in the areas of chemistry and corrosion associated with nuclear systems and he holds positions on a number of national and international committees.



Daniel Rozon

Daniel Rozon is a Professor Emeritus of Engineering Physics from l'École Polytechnique de Montréal. A fellow of the Canadian Nuclear Society, he is a specialist in reactor physics, with research interests in nuclear fuel management optimization. He was the director of the Nuclear Engineering Institute (l'Institut de génie nucléaire) for more than 15 years.

FINANCIAL SUMMARIES

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FINANCIAL SUMMARIES

The Trust Funds

As the *Nuclear Fuel Waste Act (NFWA)* assigns responsibility to the major owners of used nuclear fuel for the financing of its long-term management.

Under the *NFWA*, Ontario Power Generation Inc., New Brunswick Power Nuclear, Hydro-Québec, and Atomic Energy of Canada Limited are required to establish trust funds into which they must make annual payments. The *NFWA* specifies the amounts of the required payments for each company.

The NWMO may have access to these funds only for the purpose of implementing the management approach selected by the Government once a construction or operating licence has been issued under the *Nuclear Safety and Control Act (NSCA)*.

With the contributions made by the four corporations in 2006, deposits to the trust funds since their establishment in fall of 2002 now total \$990 million.

These legislative obligations are the responsibilities of the individual companies named, and not the responsibility of the NWMO. The trust funds are noted here because of their significance in the overall provision for long-term nuclear waste management.

As required by the *NFWA*, the NWMO makes public the audited financial statements of the trust funds when they are provided by the financial institutions annually. They are posted at www.nwmo.ca/trustfunds.

2006 Contributions

For the fiscal year ending November 2006, consistent with the *Nuclear Fuel Waste Act*, the four corporations made further contributions to their respective trust funds in the amounts indicated below:

Ontario Power Generation Inc.	\$100,000,000
Hydro-Québec	\$4,000,000
NB Power Nuclear	\$4,000,000
Atomic Energy of Canada Limited	\$2,000,000

FINANCIAL SUMMARIES

Future Contributions

The *NFWA* specifies that contributions to the trusts are to continue at the present rate until a new funding formula is approved by the Minister of Natural Resources Canada. The NWMO will recommend a funding formula in its first Annual Report following a Government decision on which management approach is to be implemented. The proposed funding formula, which will be subject to ministerial approval, will allocate liabilities to each nuclear waste owner for their portion of the estimated total cost of the management approach.

Contributions will be adjusted periodically to reflect updated projections of overall costs of the management approach and the number of fuel bundles to be produced by each used fuel owner. Trust fund contributions to be made by each used fuel owner will be presented as part of each Annual Report following the Government decision.

AUDITORS' REPORT, FINANCIAL STATEMENTS & NOTES

Management's Responsibility for Financial Reporting

The accompanying Financial Statements of the Nuclear Waste Management Organization (NWMO) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it considers most appropriate. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to January 26, 2007.

Management maintains a system of internal controls which is designed to provide reasonable assurance that financial information is relevant, reliable and accurate and that assets are safeguarded and transactions are executed in accordance with management's authorization. The system is monitored and evaluated by management.

The financial statements have been examined by Deloitte & Touche, LLP, independent external auditors appointed by the Members. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinions.

February 26, 2007



Ken Nash
President



Fred Long
Treasurer

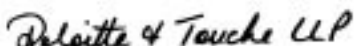
AUDITORS' REPORT

To the Directors of the Nuclear Waste Management Organization

We have audited the statement of financial position of Nuclear Waste Management Organization (NWMO) as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of NWMO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of NWMO as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Toronto, Ontario
January 26, 2007

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position

AS AT DECEMBER 31, 2006	2006	2005
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,210,708	\$ 980,472
Accounts receivable (NOTE 4)	126,764	1,232,421
Prepaid expenses and deposits	7,074	12,805
	1,344,546	2,225,698
CAPITAL ASSETS (NOTE 3)	64,561	89,348
	\$ 1,409,107	\$ 2,315,046
LIABILITIES		
CURRENT		
Accounts payable and accruals (NOTE 4)	\$ 514,605	\$ 917,120
Member over-contributions payable (NOTE 5)	-	1,308,578
	\$ 514,605	\$ 2,225,698
COMMITMENTS (NOTE 6)		
NET ASSETS		
Invested in net capital assets	\$ 64,561	\$ 89,348
Internally restricted (NOTE 5)	829,941	-
	894,502	89,348
	\$ 1,409,107	\$ 2,315,046

APPROVED BY THE BOARD OF DIRECTORS, FEBRUARY 26, 2007:



GARY KUGLER, CHAIRMAN, TORONTO, CANADA



FRED LONG, DIRECTOR, TORONTO, CANADA

STATEMENT OF OPERATIONS

Statement of Operations

YEAR ENDED DECEMBER 31, 2006	2006	2005
REVENUE		
Member contributions (NOTE 4)	\$ 4,200,000	\$ 8,000,000
Interest income	30,326	23,958
	\$ 4,230,326	\$ 8,023,958
EXPENSES		
Administration (NOTE 4)	\$ 2,097,880	\$ 2,594,202
Stakeholder engagement and communications	565,288	3,571,324
Research and analysis	-	828,759
Compliance and governance	496,017	295,131
Refinement of analysis and preparatory work	231,018	-
Amortization	34,969	78,874
Loss on disposal of assets	-	3,050
	\$ 3,425,172	\$ 7,371,340
EXCESS OF REVENUE OVER EXPENSES	\$ 805,154	\$ 652,618

STATEMENT OF CHANGES IN NET ASSETS

Statement of Changes in Net Assets

YEAR ENDED DECEMBER 31, 2006

	2006				2005	
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total	Total	
BALANCE, BEGINNING OF YEAR	\$ 89,348	\$ -	\$ -	\$ 89,348	\$ 745,308	
EXCESS OF REVENUE OVER EXPENSES	(34,969)	-	840,123	805,154	652,618	
ADDITION TO CAPITAL ASSETS	10,182	-	(10,182)	-	-	
INTERNALLY IMPOSED RESTRICTIONS (NOTE 5)	-	829,941	(829,941)	-	-	
REFUNDABLE TO MEMBERS (NOTE 5)	-	-	-	-	(1,308,578)	
BALANCE, END OF YEAR	\$ 64,561	\$ 829,941	\$ -	\$ 894,502	\$ 89,348	

STATEMENT OF CASH FLOWS

Statement of Cash Flows

YEAR ENDED DECEMBER 31, 2006	2006	2005
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Cash received from member contributions	\$ 4,251,639	\$ 7,379,979
Interest received on short-term investments	30,326	23,958
	\$ 4,281,965	\$ 7,403,937
Cash paid for materials and services	(4,041,547)	(8,981,983)
	\$ 240,418	\$ (1,578,046)
INVESTING		
Purchase of capital assets	(10,182)	(8,448)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	230,236	(1,586,494)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	980,472	2,566,966
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,210,708	\$ 980,472

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose of Organization

Nuclear Waste Management Organization (NWMO) is a not-for-profit corporation without share capital, established under the Canada Corporations Act, 1970 (“the Act”), as required by the *Nuclear Fuel Waste Act (Canada), 2002 (NFWA)* which came into force November 15, 2002.

The *NFWA* requires electricity-generating companies which produce used nuclear fuel to establish a waste management organization. In accordance with the *NFWA*, the NWMO established an Advisory Council, conducted a study and provided recommendations on the long-term management of used nuclear fuel to the Government of Canada. The results of the study and the recommendations were submitted in November, 2005. As part of the long-term mandate, the NWMO must implement and operate the management approach that is selected by the Government of Canada to address used nuclear fuel.

The NWMO formally began operations on October 1, 2002. Its founding members are Hydro-Québec, NB Power Nuclear, and Ontario Power Generation Inc., (“Members”) – which are Canadian companies that currently produce used nuclear fuel as a by-product of electricity generation.

Pursuant to a Membership Agreement, the costs of the NWMO are shared pro rata by the Members based on the number of used fuel bundles owned by each member.

Following the Government of Canada’s selection of a management approach for used nuclear fuel, NWMO members must review, amend and restate the NWMO by-law to reflect the objects and responsibilities of NWMO as it assumes an implementation mandate. The amended and restated by-law will require the unanimous approval of the NWMO members and the approval of the Minister of Industry, Canada.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies

Basis of Presentation

These financial statements of NWMO are the representations of management prepared in accordance with accounting standards for not-for-profit organizations established by the Canadian Institute of Chartered Accountants using the deferral method of reporting restricted contributions. The significant accounting policies adopted by NWMO are as follows:

Capital Assets

Capital assets are recorded at cost. Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Furniture	7 years
Computer equipment	3 years

Cash and Cash Equivalents

Cash equivalents represent short-term investment funds deposited in a money market account.

Income Tax

The NWMO is a not-for-profit organization and, pursuant to section 149(1)(1) of the *Income Tax Act*, is not subject to income tax.

Fair Value of Financial Instruments

The carrying values of cash, accounts receivable and accounts payable and accruals approximate the fair values on a discounted cash flow basis because of the near term nature of these instruments.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

3. Capital Assets

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture	\$ 93,517	\$ 46,474	\$ 47,043	\$ 60,403
Computer Equipment	227,770	210,252	17,518	28,945
	\$ 321,287	\$ 256,726	\$ 64,561	\$ 89,348

4. Related Party Transactions and Balances

Transactions during the year	2006	2005
Contributions received and/or due from		
Ontario Power Generation Inc.	\$ 3,715,447	\$ 7,300,000
NB Power Nuclear	363,610	350,000
Hydro-Québec	299,348	350,000
Products and services acquired from		
Ontario Power Generation Inc. Managerial services (included in administration expenses)	\$ 1,547,520	\$ 1,175,839
Balances outstanding		
Due to Ontario Power Generation Inc. (included in accounts payable and accruals)	\$ 285,222	\$ 334,323
Amounts due from (and included in accounts receivable)		
Ontario Power Generation Inc.	\$ -	\$ 1,045,171
NB Power Nuclear	67,185	93,625
Hydro-Québec	59,579	93,625

NOTES TO THE FINANCIAL STATEMENTS

5. Internally Restricted Net Assets

As described in Note 1, NWMO is awaiting the selection by the Government of Canada of a management approach in respect of the long-term management of used nuclear fuel. The Members, on December 13, 2006, approved to transfer all unrestricted member contributions in the amount of \$829,941 to internally restricted net assets to be applied towards leasehold improvements for new office premises to be occupied in July 2007 (See Note 6 (ii)). In the prior year, at the completion of the organization's initial mandate, unused contributions in the amount of \$1,308,578 were to be refunded to the members in accordance with the terms of the NWMO membership agreement. These amounts were refunded during the current year.

6. Commitment

- (i) On December 18, 2006, NWMO extended its existing sub-lease agreement for its offices at 49 Jackes Avenue, Toronto, Ontario for an additional period to September, 2007, with an option to terminate on or after July 31, 2007, upon providing 45 days advance notice. Total lease payments for the nine months will be \$101,056.
- (ii) On December 22, 2006, NWMO entered into a five-year lease for its new offices at 22 St. Clair Avenue East, Toronto, Ontario commencing July 1, 2007. Annual total lease payments will be \$229,360 plus additional amounts for taxes, utilities and maintenance, for the term of the lease. NWMO has an option to extend the term of the lease for one additional term of five years on the same terms and conditions, except for the annual minimum rent payable, which will be \$265,198.

The estimated annual minimum payments over the initial term of the lease are as follows:

2007	\$114,680
2008	\$229,360
2009	\$229,360
2010	\$229,360
2011	\$229,360
2012	\$114,680

NOTES TO THE FINANCIAL STATEMENTS

7. Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee.

- (a) The Organization has provided indemnities under a lease agreement for the use of its premises. Under the terms of this agreement the Organization agrees to indemnify the counterparty for various items including, but not limited to, all liabilities, loss, suits and damages arising during, on or after the term of the agreement.
- (b) The Organization indemnifies all directors, officers and employees acting on behalf of the Organization for various items including but not limited to all costs to settle suits or actions due to services provided to the Organization, subject to certain restrictions (effective January 23, 2007).

The nature of these indemnification agreements prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued with respect to these agreements.

ACRONYMS

AEDTC	Athabasca Economic Development and Training Corporation
CANHC	Canadian Association of Nuclear Host Communities
CNSC	Canadian Nuclear Safety Commission
CoRWM	United Kingdom Committee on Radioactive Waste Management
EDRAM	International Association for Environmentally Safe Disposal of Radioactive Materials
IAEA	International Atomic Energy Agency
Nagra	Swiss National Cooperative for the Disposal of Radioactive Waste
NEA	Nuclear Energy Agency
<i>NFWA</i>	<i>Nuclear Fuel Waste Act</i>
<i>NSCA</i>	<i>Nuclear Safety and Control Act</i>
NWMO	Nuclear Waste Management Organization
OECD	Organization of Economic Cooperation and Development
OPG	Ontario Power Generation Inc.
Posiva	Finnish Nuclear Waste Management Company
PWR	Pressurized Water Reactor
SKB	Swedish Nuclear Fuel and Waste Management Company
VALDOR	VALues in Decisions On Risk

CONTACT INFORMATION

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