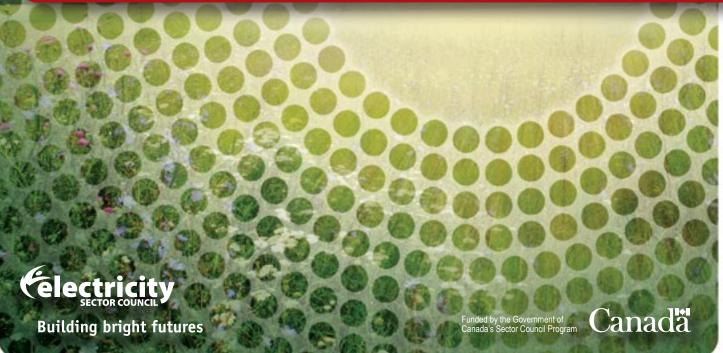


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EXECUTIVE SUMMARY

This research paper identifies ways that businesses operating in the electricity and renewables sector can increase their procurement of goods and services from Aboriginal businesses. There are already some businesses in the sector that are doing exemplary work in the area of Aboriginal procurement. This report is designed to highlight this effort while identifying tools and knowledge that other businesses in this sector can use to increase Aboriginal procurement. It will also increase awareness for Aboriginal businesses of the various opportunities within the sector, examine the benefits of having an Aboriginal procurement strategy, and provide the foundation and a template for businesses looking develop an Aboriginal procurement strategy of their own. Procurement opportunities now, and over the next few years, will be extensive as companies undertake new capital projects and require maintenance on existing facilities. The Conference Board of Canada has noted that the electricity and renewables sector is expected to invest \$293.8 billion from 2010 to 2030 to maintain existing assets and meet market growth. Expected investments are \$195.7 billion in generation, \$35.8 billion in transmission, and \$62.3 billion in distribution. This means there are many opportunities for Aboriginal suppliers in the coming years. The issue becomes how to develop relationships with Aboriginal businesses and how to increase their capability to participate in the industry. For suppliers the main issue is that of building capacity to produce and market quality products and services.

Product and service procurement requirements vary for the different segments of the electricity and renewables sector, e.g. generation and wholesale supply, transmission, distribution and the different products and services that make up the supply chains for these different segments. The supply chain needs of these segments vary widely and include equipment, engines, generators, switches, etc. Some segments have widely different supply chains depending on the nature of the energy source used in generation (i.e. wind, tidal, solar, or hydroelectric). These operational product and service needs are in contrast to procurement requests for proposals for independent power producers (IPPs) to develop alternative energy projects, as part of feed in tariff programs for example. The range and complexity of procurement needs for the electricity and renewables sector varies from small scale operational needs to large scale capital projects.

According to the Canadian Council for Aboriginal Business (CCAB), and Environics Research, Aboriginal self-employment and entrepreneurship is on the rise. There are more than 37,000 First Nation, Métis and Inuit persons in Canada who have their own businesses, a significant increase of 85 percent since 1996. In addition, growth can be attributed to the increased longevity and entrenchment of Aboriginal Economic Development Corporations. Seventy-two percent of Aboriginal Economic Development Corporations have been around for 10 years or longer; the average length of operation is 18 years. The majority (68 %) are small businesses (i.e. based on the Industry Canada definition of less than 100 employees). Close to half (46 %) had total sales revenues of \$5 million or more for the previous fiscal year. Despite this growth in the number of Aboriginal businesses and the increased stability of this segment, mainstream businesses in the electricity and renewables sector report they have difficulties sourcing from Aboriginal suppliers. Some companies have developed strategies and practices which have helped them develop effective partnerships with the Aboriginal business community, a few of which have been highlighted as case studies in this report.

Today, many larger companies in the electricity and renewables sector implement supplier diversity programs to realize concrete supply management goals such as cost reduction and innovation. In addition to this overall trend the business case for Aboriginal procurement within the electricity and renewables sector is partly driven by legislation. The Supreme Court of Canada decisions in 2004 (Haida and Taku River) were a major step forward for Aboriginal communities. The Court established that governments have a legal obligation to consult with Aboriginal peoples about possible resource developments where required, and to accommodate potential adverse impacts.

The unique interests and constitutional rights of Aboriginal communities support the rationale for businesses in the sector to develop strong business relationships with Aboriginal communities, relationships based upon trust and respect to achieve common goals. Good relations with Aboriginals can assist with faster regulatory approvals by reducing potential delays due to objections from Aboriginal communities and the avoidance of legal challenges. Costs associated with projects generally escalate when there is uncertainty regarding the timeline of approvals. Timely approvals mean improved certainty of project schedule and therefore reduced costs.

Increasingly, when making procurement supplier decisions, companies are utilizing a *total cost of ownership* (TCO) approach. The TCO approach moves companies away from making short term price based decisions, towards a more strategic approach of measuring all the costs and benefits of a firm's relationship with its suppliers.

While not a driver on its own, increasingly studies are showing that shareholders, employees and the public care about companies' support for "causes". For example, these groups have perspectives about companies' stance and practices in environmental stewardship. Developing harmonious relationships with Aboriginal communities and contributing to their social and economic well being is seen to be important by these audiences. Companies must be seen to be supporting the communities they work with and this means practices and strategies in social responsibility must be evident. In tandem with their adoption of Aboriginal procurement practices many companies in the electricity and renewable sector make investments in Aboriginal communities. A total enterprise approach to building Aboriginal relations is seen as the best way forward and this means that Aboriginal procurement is just one part of a much larger strategy aimed at developing positive Aboriginal relations.

Embarking on inclusive Aboriginal procurement requires the concurrence of several layers of decision makers within electricity companies both vertically and horizontally. The leading companies in the electricity and renewables sector have adopted complex strategies supported by policy statements which affirm these companies' commitments to working closely with Aboriginal people, businesses and communities. The adoption of enterprise-wide Aboriginal inclusionary strategies, policies and practices require effective human resource strategies and actions in order to guide company-wide efforts in support of Aboriginal inclusion.

Companies that have made inroads in the area of Aboriginal relations have tended to adopt formal organizational statements of their position of support. Companies may have an Aboriginal (and minorities) corporate-level policy. Further still, companies may have an Aboriginal procurement policy which makes clear their purpose and intent to support Aboriginal suppliers. Organizationally, some companies have an Aboriginal liaison person or even a department to help guide the company and to deliver on Aboriginal strategies. The adoption of an accountability framework is also an important part of companies' efforts to further advance Aboriginal relations. Developing Aboriginal purchasing targets means companies must adopt rigorous methods to identify and track their purchases from Aboriginal suppliers. The publication of an annual report with details and figures about Aboriginal procurement is the ultimate way that companies can evidence their support and accountability.

In the effort to encourage more engagement with Aboriginal businesses, some companies in the sector have built directories of Aboriginal suppliers. Directories are organized in ways that meet the specific needs of procurement personnel in this sector.

Aboriginal businesses need coaching, marketing assistance and business introductions in order to be more effective in promoting their products and services to electricity companies. As an example of one practice, supplier trade shows have proven to be effective in the electricity and renewables sector. Expanding the frequency, reach and attendance of these trade shows would be a way of breaking down barriers and encouraging supplier relationships. Trade shows can be undertaken at specific locations, or made into virtual online events.

Some companies in the electricity and renewables sector are providing workshops and sessions to assist Aboriginal suppliers with some aspects of bidding or helping them in other ways to respond to requests for proposals. These practices offer clear ways of addressing some of the main barriers which Aboriginal suppliers face. The hiring of intermediaries who use a combination of facilitation and brokering is a related practice on the part of companies in the sector. These intermediaries are hired to visit Aboriginal communities and explain the opportunities associated with electricity and renewable developments. Intermediaries identify Aboriginal supplier prospects and even assist with business plan development and issues such as insurance bonding, capital equipment leases and other issues faced by Aboriginal businesses in their efforts to qualify as a supplier.

At an operational level companies that want to encourage Aboriginal suppliers to bid on projects could include a place to indicate "Aboriginal supplier" on the supplier application forms or, the company could include a place to indicate "Aboriginal supplier" on a tender or RFP (RFx). This practice is a clear signal to Aboriginal suppliers about companies' intent to encourage and increase Aboriginal procurement. Other operational practices of note can be identified from the case study reports contained in this report or summarized in the Final Observations and Summary section. Companies are developing many innovative ways of adapting their procurement processes so as to invite the full participation of Aboriginal suppliers.

Another example of supplier development includes training for electricity companies' procurement personnel, or for Aboriginal suppliers. Specific training programs could be developed which help industry procurement personnel to develop supplier diversity or Aboriginal procurement strategies and practices. A "how-to" series on working with Aboriginal suppliers would be welcomed by industry players. Similar course materials could be developed with Aboriginal supplier audiences in mind. In particular, training which helps these suppliers navigate the procurement systems used by electricity and renewables sector companies would be beneficial.

In consideration of the limited scope of this first diagnostic project on Aboriginal procurement, the electricity and renewables sector may wish to undertake a second research project at a later date. As a priority, a future research study would explore the specific opportunities relating to Aboriginal business interests in independent power production, opportunities relating to alternatives to diesel power generation currently in use in northern communities, and specific business opportunities relating to feed in tariff programs.

In summary the key findings of this report are:

- There is a compelling business case for the electricity and renewables sector to engage and develop Aboriginal suppliers.
- Aboriginal businesses are already participants in the electricity and renewable sector supply chain and there are
 opportunities to grow their position.
- Embarking on enterprise- wide inclusive Aboriginal procurement requires the concurrence of several layers within
 electricity and renewables companies both vertical and horizontal.
- The Electricity Sector Council is well positioned to encourage its stakeholder companies to increase procurement from small and medium sized Aboriginal businesses.
- The Electricity Sector Council should continue to gather information through its work with its partner companies and other project research activities on ways to strengthen Aboriginal business capacity.
- In addition to the development of a suite of tools which help engagements between electricity and renewable companies
 and Aboriginal businesses, there is also a need for advisory services which the Electricity Sector Council could take on as a
 new service offer.
- There is a need for the introduction of networking opportunities to introduce local Aboriginal businesses with the
 electrical utility companies in their region and provide an opportunity for Aboriginal businesses to increase their product
 and service capabilities.

INTRODUCTION

are important to the sector.

The business case for Aboriginal procurement is examined in some detail. There are many reasons why this sector's companies are choosing to work with Aboriginal businesses and develop supplier relations. The business case for Aboriginal procurement is compelling and companies in the sector are interested in gathering more knowledge and practical examples of successful strategies for increasing Aboriginal procurement opportunities. This report examines some of the policy considerations, strategies, and practices that electricity and renewables companies need in order to work closely with Aboriginal businesses and encourage supplier relationships.

What specifically are electricity and renewables companies outsourcing by way of goods and services? In what categories do these outsourcings reside? An analysis of recent tenders shows sector companies' outsourcing needs in the areas of Construction, Electrical and Electronics, Engineering, Architectural and R&D Services, Financial/Auditing/Quality Control, Fuel, Batteries and Generators, IT Services and Products, Maintenance, Repair and Modification. This close analysis provides a more tangible understanding of the supply chain opportunities in the electricity and renewables sector.

This report also includes case studies which illustrate the ways that businesses in this sector are developing supplier relationships with Aboriginal businesses. Some of these larger companies have developed a very comprehensive approach to Aboriginal relations which takes into account the roles that their different business units will play with Aboriginal people, businesses, and communities. These companies have adopted an enterprise-wide approach to Aboriginal inclusion.

The case studies also serve as an industry diagnostic illustrating the range of business and procurement opportunities that will be available to Aboriginal businesses (both current and for projects anticipated over the next 3-5 years). Industry interviews and secondary research contribute to our understanding of the full range of procurement opportunities that will be driven by large scale capital projects planned in the sector in the near future. This information will be especially interesting to Aboriginal businesses.

The report will also elaborate on some of the electricity and renewables companies' policies and procedures to engage and build relationships with Aboriginal suppliers. A considerable part of the report is devoted to a description of the strategic and operational dimensions of the procurement process.

The examination of the opportunities for Aboriginal supply chain in the electricity and renewables sector found within this report has both supply and demand dimensions. On the demand side there are tremendous procurement opportunities identified. Leading companies in this sector also have effective strategies and practices which will encourage Aboriginal business development over time. Procurement will be the catalyst for growth, however, continued supplier capacity building remains a hurdle. What are some of the ways that Aboriginal suppliers need to grow in order to meet the procurement needs of companies operating in the electricity and renewables industry?

Finally, this report will also provide suggestions and recommendations pulled from the research that will help build upon current practices to encourage the industry to consider Aboriginal businesses as a viable supplier source. The ESC is in a strategic position as a result of its national purview and relationships with industry employers. By leveraging the knowledge and 'know how' of industry best practices, the ESC is able to work with its stakeholder companies to build products and services that will help the electricity and renewable industry to develop a leadership position when it comes to Aboriginal procurement.

In this decade and beyond, Canada's Aboriginal businesses will play an increasingly larger role in the national economy. Canada's Aboriginal people, and the resources they control, represent a massive untapped supply chain. Through the creation of an inclusive supply chain, companies can tap into this resource to better manage their purchasing of goods and services, and leverage the knowledge of the environment and Northern Canada that Aboriginal people and businesses bring to the table.

E THE BUSINESS CASE FOR ABORIGINAL PROCUREMENT

8

There are many compelling reasons why businesses in the electricity and renewables sector would make a concerted effort to develop supplier relationships with Aboriginal businesses. Apart from the opportunity to create a positive public image, engaging Aboriginal businesses offers a variety of benefits to Aboriginal communities, as well as electricity and renewables sector companies.

Supplier Diversity

There is growing evidence for a positive correlation between supplier diversity and increases in shareholder value. With a strong internal commitment to supplier diversity, successful companies are building a new type of competitive advantage which will enable them to more effectively leverage the value of a diverse supply base and compete more effectively in their marketplace.

Supplier diversity is the practice of reaching out to businesses not traditionally included in the supply chain. Supplier diversity is an initiative that encourages the establishment of partnerships with a diverse supplier base, which includes all underrepresented groups who can provide goods or services to the organization. Supplier Diversity Program is a term used by private corporations and government agencies to indicate that they award contracts and subcontracts to minorities. The specific minority groups included in a Supplier Diversity Program vary from organization to organization and could include Aboriginal people, women, and individuals with disabilities, as well as others.

Today, many larger companies implement supplier diversity programs to realize concrete supply management goals such as cost reduction and innovation. Small and diverse businesses typically have lower cost structures, are more creative and innovative, and can provide a customer focus beyond what larger firms can offer. They may also be willing to accept more risk, investment, and lower return not justified by a larger firm to enter a market or manufacture a new product on contract. In addition, if the firm is minority owned, it may have specific expertise useful to a larger firm. By embracing small minority owned companies with potential, it helps minority companies realize their full potential and be of even greater benefit to a major corporation.

Today, minority- and women-owned businesses are the fastest-growing segment of new business. In 2004, The National Minority Supplier Development Council (NMSDC) in the United States assisted its member corporations with purchases of \$87.4 billion of goods and services from U.S. minority enterprises. While supplier diversity programs were originally impelled by legislation in the United States, a more recent view expressed is that minority supplier programs are simply a good way for companies to better understand their customers.

Author Glenn Stafford (2012) notes that two years ago at a National Minority Supplier Development Council (NMSDC) conference in New Orleans, Johnson Controls (JCI) made a powerful strategic statement regarding its future supplier diversity direction. Steve Roell, JCI's Chairman and Chief Executive Officer, said,

> "Supplier diversity is a core business strategy of the company... It is a core business strategy that helps us better understand our customers. It expands our markets and capabilities and it strengthens our network of suppliers... It also helps JCI win and retain customers, along with delivering stakeholder satisfaction with employees, advocacy groups and the government."¹

Canada has the most culturally diverse population among industrialized nations and has the potential to capitalize on Aboriginal and minority diversity to stimulate economic growth. In the corporate supply chain, diversity programs have a unique ability to make a difference in socio-economic development. Simply put, they return value to the communities by local procurement. Having equity in a healthy business helps individual minority families retain wealth; enables minority businesses to hire and promote more minorities and thus boost the community; and increases the wealth of minorities which enables corporations to sell more to them.

Even under the economic conditions that prevail at the moment, diversity brings opportunity. A Royal Bank of Canada report entitled *The Diversity Advantage: A Case for Canada's 21st Century Economy* stated that if minorities were as successful as the Canadian workforce, personal incomes would be \$174 billion higher, and 1.6 million more working age Canadians would be employed.

¹ Quoted from "Next Plateau for Supplier Diversity Development" by Glenn Stafford, January 3, 2012 as seen in Canadian Aboriginal and Minority Supplier Council https://www.camsc.ca/news



The importance of Canada's Aboriginal businesses in the national economy will only increase as time passes. The Aboriginal people of this country are in a strategic position, not only geographically, but as a growing source of suppliers for industry needs. By leveraging this untapped supply chain, Canadian businesses can better manage their goods and services purchasing.

The True Cost of Procurement

How companies choose to measure the true cost of procurement has a lot to do with their overarching business goals. In procurement the prevailing practice in the past may have been to identify the best single source at the best price. But in a broader strategic context this approach may not be the best one. "The total cost of ownership reflects the resources consumed in performing the purchasing related activities and measures all the costs and benefits of a firm's relationship with its suppliers. It requires an integrated approach of the impact of purchasing decisions on a company's value chain. Just as customer profitability analysis provides the insight that the largest revenue customers may not be the most profitable ones, because they may demand excessively costly special treatment and delivery conditions, the total cost of ownership often reveals that the cheapest suppliers may impose additional high costs on the firm because of, for example, high ordering costs, quality problems, discount practices and payment procedures".

Companies in the electricity and renewables sector often have business strategies which take into account wide public interests. They may be working in areas which are proximate to Aboriginal territories and they may be at risk of litigation or business delays if they are unable to develop effective partnerships with Aboriginal groups. There is a compelling need for some companies in the sector to develop supplier relations with Aboriginal businesses even if the Aboriginal business is not providing the best price when considered from a straight transactional perspective. But in the broader context of establishing harmonious relationships with Aboriginal communities and in the interests of local community economic development, the total cost of ownership may be a better approach to considering the true cost of supply chain for companies in the electricity and renewables sector.

Realizing Strategic Objectives

Aboriginal suppliers help companies achieve strategic objectives, supply increased resources and provide competitive advantages. The result of these successful partnerships is that corporations benefit while many Aboriginal communities have become healthier and more prosperous places, filled with opportunities that did not exist in decades past. Conversely, an exclusive supply chain forces losses on both sides of the chain, leading to unrealized gains and lost opportunities.

By utilizing successful Aboriginal procurement strategies, any organization can gain new business through increased capacity in its own supplier chain. With increased capacity, businesses can meet current demands, open up new markets and build a robust public profile that is solidly based on good corporate social responsibility.

New alternative energy developments within Aboriginal communities see new opportunities to generate power for the feed in tariff programs that have been introduced in some parts of the country. Procurement offers opportunities for Aboriginal businesses to respond to these opportunities. The way that companies invite certain kinds of research and development by procurement and *procurement by design* is also a further dimension to the business case for Aboriginal participation in supply chain.

² Z DeGraeve, F Roodhooft, and B VanDoveren, "The Use of Total Cost of Ownership for Strategic Procurement: a company wide information System". Journal of the Operational Research Society, (2005) Vol 56, pp 51–59.



Building Relationships

Through partnering with Aboriginal businesses, electricity companies can develop and increase their long term capacity. Capacity can be defined as a set of abilities, skills, understandings and resources that enable organizations to function profitably and effectively. The objective of capacity development is to help an organization enhance its existing skill sets as well as add additional competencies that strengthen and improve business relationships. Through partnering with Aboriginal businesses, electricity companies help to increase the competencies of the Aboriginal businesses. These competencies ensure a state of readiness within Aboriginal businesses that leads to successful partnerships and economic opportunities that benefit both sides.

According the 2009 Toronto Dominion Bank report entitled *Aboriginal People in Canada: Growing Mutual Economic Interests Offer Significant Promise for Improving the Well-Being of the Aboriginal Population,* an important catalyst for the emergence of Aboriginal enterprises is their growing belief that they can move into the mainstream economy without sacrificing their core values. Chief among these values is the protection of land and the environment. For example, Aboriginal entrepreneurs are beginning to make a real mark in establishing environmentally-focused ventures in areas such as renewable and alternative energy development, which offer substantial opportunities for growth over the longer run. Within the electricity and renewables sector, emerging technologies – such as run-of-the-river used for hydro development—are helping to reduce environmental impacts and, thus, foster Aboriginal involvement. First Nations Energy Alliance is one notable concept of this recent push into renewable energy development.

Aboriginal businesses, especially those on reserve or in remote areas, are often important suppliers of local and imported products and services to Canadian companies. Many corporations, especially those in the natural resource sectors (e.g. mining, forestry), have to import materials at high cost to remote project locations. Aboriginal entrepreneurs are stepping in and supplying products and services. For both Aboriginal businesses and corporate customers, these initiatives present win-win opportunities, as Aboriginal firms often have comparative advantages based on location, cost, and proximity to customers.

Investment and Value Creation

By doing business with Aboriginal companies, organizations make a strong social and financial investment that benefits both parties. While helping to build capacity and expertise as well as provide additional jobs, these corporate leaders are also building stronger communities and helping to better lives — making them powerful advocates of change.

As indicated in the 2001 Conference Board of Canada report entitled *Creating Value Through Corporate-Aboriginal Economic Relationships*, strong relationships with Aboriginal communities, individuals and firms can create business value that is not immediately apparent. Intangible assets such as reputation, corporate image and social capital are taking on increasing important as competition in the business environment increases. Companies that are able to leverage these assets through strong Aboriginal relationships are often able to produce significant business opportunities while also helping minimize their exposure to risk. Aboriginal communities are often the first ones affected by industrial and resource development and are often able to have a significant impact on the ability of firms to obtain access to lands and resources.

Through direct land ownership (treaty and/or land claim settlements) or indirect involvement in land use planning and environmental assessment regimes, Aboriginal communities have the ability to affect project time frames and budget costs. Aboriginal communities are able to obtain information about the corporate citizenship performance of companies seeking access to their traditional territories. A company that has a positive reputation for Aboriginal engagement practices, a strong environmental track record and support for Aboriginal economic development programs is better positioned to gain access to these resources than a company with a weak reputation.

Strong relationships with Aboriginal communities can act as an early warning device that can help companies respond to and avoid emerging business risks (e.g. community opposition during environmental assessment reviews). For example, looking to other sectors, Syncrude Canada's plans for expansion were facilitated by its excellent relationship with Aboriginal communities, people and firms. The costs of delay can potentially amount to millions, and the ability to expedite regulatory processes through positive reputation can have a significant bottom-line impact. Similarly, the lack of meaningful relations can lead to additional expenses and disruptions in operations.



Corporate Social Responsibility

The ability of companies to differentiate themselves on the basis of their reputation with Aboriginal communities can lead to significant reduction of business risk and cost. Strong relationships build strong mutual understanding and can enable companies to identify emerging opportunities that, through innovation, creativity, and agility, can often provide first-mover advantage. In competitive and often turbulent markets, the ability to avoid risks and capitalize on opportunities in advance of competition is a competitive advantage.

The Supreme Court of Canada decisions in 2004 (Haida and Taku River) were a major step forward for Aboriginal communities. The Court established that governments have a legal obligation to consult with Aboriginal peoples about possible resource developments where required and to accommodate potential adverse impacts.

The unique interests and constitutional rights of Aboriginal communities support the rationale for industry to develop strong business relationships with Aboriginal communities, relationships based upon trust and respect to achieve common goals. Unfortunately, there have been instances where co-operation between businesses and Aboriginal communities has been forced. In these instances, the license or authorization in question has been set aside, resulting in delays and added expense, and sometimes culminating with project cancellation and forgone expenditures. Good relations with affected Aboriginal communities can assist with the following:

- Faster regulatory approvals by reducing potential delays due to objections from Aboriginal communities and the avoidance
 of legal challenges; and
- Improved certainty of project schedule and reduced costs because costs associated with projects generally escalate when there is uncertainty regarding the timeline of approvals.

Binding mutually beneficial and effective relations with Aboriginal communities makes good business sense, both in the short term for current business needs, and in the long term for long-lasting projects and activities.

The Changing Labor Force

As the Aboriginal population grows to form one of the country's biggest labour forces, there is no doubt that the government and various regulatory associations will develop legislations and programs to help grow Aboriginal businesses.

In fact, several provincial governments are developing policies with regard to Aboriginal consultation. It is anticipated these provincial government policies will lead to Aboriginal consultation requirements being incorporated into more regulatory approval processes.

As an illustration, BC Hydro, in the past couple of years, has specified that approval from local Aboriginal communities is a pre-requisite for consideration of power purchase contracts from independent power producers that propose to construct hydroelectric generating facilities on traditional Aboriginal land.



The Business Case for Increasing Aboriginal participation in Electricity Sector's supply chain:

Supplier Diversity

Total Cost of Ownership (TCO)

Social License

R&D /Innovation/ Supply by Design

Corporate Social Responsibility

Lustomer Relations

Duty to Consult

Summary

The business case for Aboriginal participation in power companies' supply chain has many critical elements. We can see that there is a growing trend toward supplier diversity programs among larger Canadian companies generally. These companies recognize the value of supplier diversity as a competitive advantage, as a way to get to know their customers better or to make some contribution to their bottom line.

Many of the electricity and renewables sector companies need access to traditional Aboriginal lands and there is a legal obligation to consult with Aboriginal peoples about possible resource developments and to accommodate potential adverse impacts. It makes sense to develop supplier relations with Aboriginal businesses, not just because it is the right thing to do but because such partnerships can contribute to sustainable gains in Aboriginal socio-economic development. Ultimately these gains are good for sector companies as well.

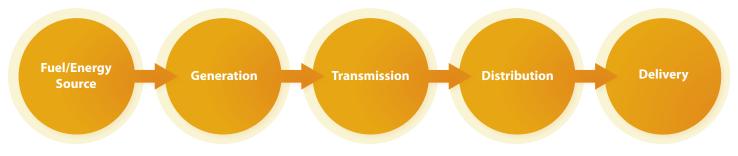
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ELECTRICITY AND RENEWABLES SECTOR PROCUREMENT

The electricity and renewables sector is regulated provincially in Canada. Because of the variations in political climate and physical environments, each provincial and territorial jurisdiction regulates electricity differently. Some provinces are, for the most part, deregulated, such as Ontario, which has an extremely diverse energy supply and demand market. Other provinces have a more uniform energy supply and demand market, and thus, are more regulated and closely-held, such as Manitoba and Saskatchewan. Despite the differences in regulation and ownership, there is a need in the electricity and renewables sector for a variety of products, services and solutions provided by a variety of businesses, both small and large. This is why the sector is examining its demand/supply matrix and inviting new participants to the table. Aboriginal businesses have responded to the electricity and renewables sector, and to the market in general, by supplying everything from snow shoveling services to alternative energy proposals. The sector is changing and diversifying, and the supplier base is broadening as a result.

Overview of Sector

The electricity and renewables sector has many procurement opportunities available to large and small organizations, opportunities that Aboriginal businesses would like to be involved in. The Electricity Sector Value Chain starts with fuel/energy sources, then generation, transmission, distribution, and delivery of power:



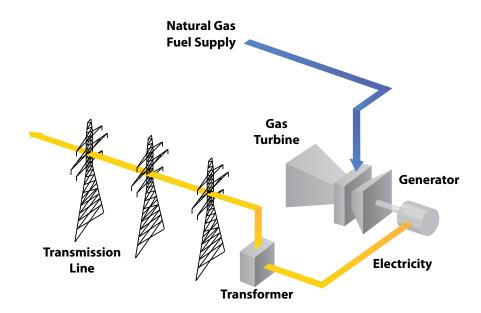
The general business divisions in the electricity and renewables sector are:

- Power Generation including fuel source, plant construction and plant operating costs
- Transmission and Ancillary Services including sub stations, transmission lines, power reserves, load control and shaping, and servicing wholesale customers
- Distribution, Delivery and End-user Customer Service including lowering voltage, metering and billing, maintaining accounts, servicing outages, repairs, new connection/service request fulfillment, and end-user marketing

In Canada, there is opportunity for Aboriginal businesses to participate in a variety of electrical energy generation initiatives, including fossil fuels, nuclear fission, kinetic energy (water/hydro and wind), solar photovoltaics, biomass, and geothermal.

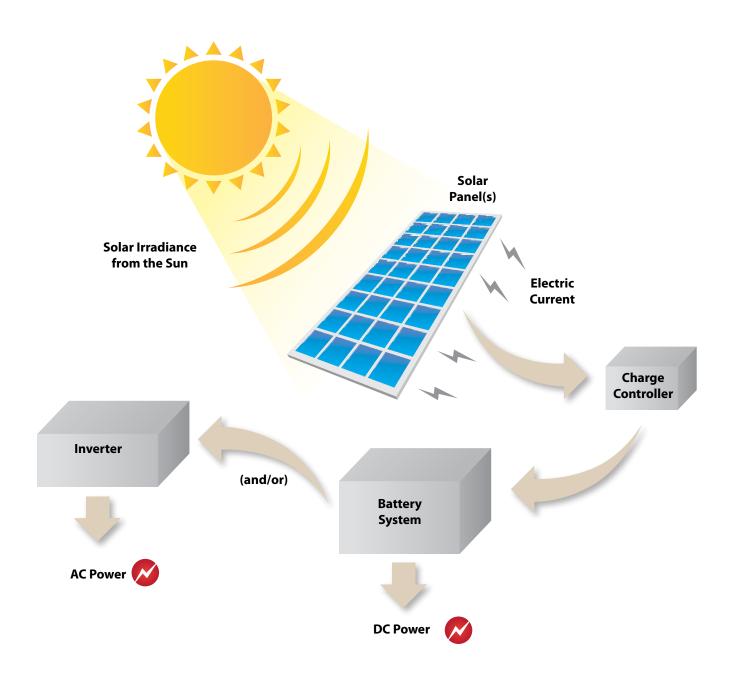
Utility companies in the electricity and renewables sector may do all of the above, or may concentrate on energy generation and transmission. Because of deregulation or partial deregulation in the sector, there are many companies in the business of distribution and delivery to the end-user customer.

For example, a utility company may generate electrical energy from natural gas. The natural gas supply chain includes turbines and engines, generators, transformers, transmission lines:



Source: CASA, Alberta, Electrical Efficiency Study, 2004

As another example, a utility company may generate electrical energy from solar power. The solar power supply chain includes solar panels, current controllers and generators, batteries and storage, power inverters, and transmission lines:

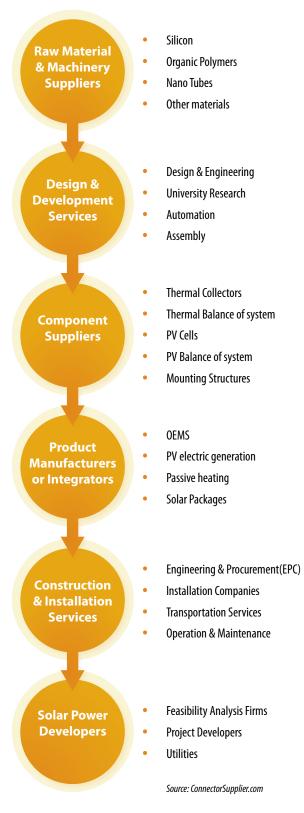


Source: roshanthomas.blogspot.com



The solar power supply chain includes many different kinds of parts, suppliers and manufacturers. Here is a general schematic of the kinds of products and services required to design, install and maintain solar power systems:

From Raw Material-to-Installation



The vast number of manufacturers, suppliers, component suppliers, integrators, installers required to maintain solar power systems, and all electricity generation systems, suggests that there is great opportunity for Aboriginal businesses to provide products and services to the electricity and renewables sector.

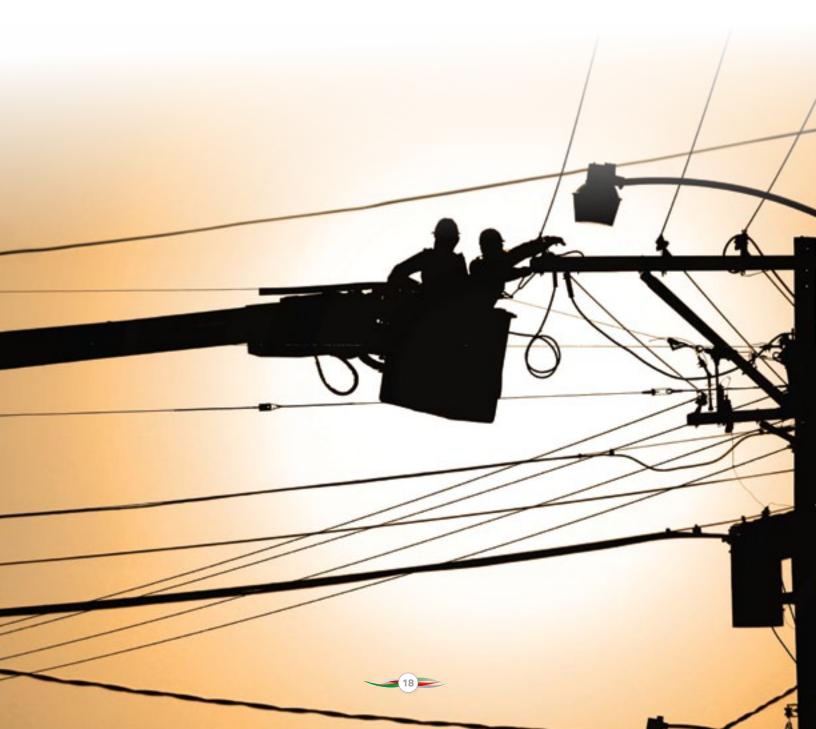


Procurement Opportunities by Type of Supply:

Research has shown that most Crown-owned power companies in the electricity and renewables sector keep a core list of suppliers with whom they have ongoing relationships. This vendor list is comprised of businesses that the company has previously contracted, and therefore, a relationship/engagement has already commenced with those companies who have proven themselves reliable and valuable.

Some electricity and renewables sector companies maintain a list of Aboriginal businesses (i.e. BC Hydro and Hydro One); however, it is important to note that research has shown us that it is key for Aboriginal businesses to acquire a main website where all Aboriginal businesses can be logged and updated, making is easy for a power company or contractor to find these Aboriginal businesses.

The ongoing procurement product and service needs of the electricity and renewables sector are listed here. This is a comprehensive list of supply and services, however, the needs of the companies are not limited to this list.



General Procurement Needs – Supplies

The following is a list of the general types of supplies needed by the electricity and renewables sector. This list was compiled using information from Hydro One as a basis:

(It should be noted that this list is not exhaustive but serves to provide an example of the type of supplies)

- Abrasive, grinding, adhesive and sealant products
- Batteries, commercial batteries
- Breakers, capacitors and conductors
- Building accessories, hardware and wire, and electrical tape
- Cable and wire, and cable support systems
- Cleaning Supplies
- Control Equipment including computers, gateways, and monitors
- Controls, cables, connectors and services, including installation and repair
- Computers, IT services, software licenses and software maintenance
- Concrete
- Construction materials and services, backfill and grading, concrete and guy wire
- Culverts and drainage
- Donations and charity, and memberships
- Fabric metal products and fasteners
- Fencing
- Fleet vehicles
- Food and beverage products and services
- Fuels, gases and chemicals
- Furniture and furnishings
- Fused switches and fuses
- General hardware and tools
- Generators, motors and engines
- Heating, ventilation and A/C, and HP air systems
- Hoist equipment
- Insulation and line post insulators
- Lab equipment
- Landscaping supplies and herbicides
- Lighting
- Lubricants and anti-corrosive agents

- Metering accessories and metering transformers
- Measuring and testing equipment and power operating equipment
- Stores equipment, tools and work equipment
- Neutral grounding
- Office equipment and supplies
- Packaging and storage products
- Paint products

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- Pipe, valve and fittings
- Pole products and pole/line hardware
- Prefab buildings
- Protection equipment
- Rebar and recloser
- Rentals with operator, without operator
- Safety supplies, scaffolding and ladders
- Series capacitors and reactors
- Shear frames
 - Station post insulators and service transformers
- Step volt regulators
- Submarine cable
- Surge arrest distributors
- Suspension insulators
- Switches and breakers disconnect, parts, load interrupting switch, GIS switch, ground switch, low voltage breakers, circuit switcher
- Tank pumps and filters
- Telecom digital, fibre, hardware, neutral ground and wireless
- Telecom services internal and retail
- Towels and tissues

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- Tower extensions and towers
- Transformers and parts, instrumentation, dry and submersible
- Transmission Schemes, Steel

General Procurement Needs – Services

In addition to the specific products and items listed earlier, the electricity and renewables sector requires various consulting services. The examples listed below were compiled using information from Hydro One as a basis. The types of consulting services required include but are not limited to:

- HR Services, Legal Services, Financial Services, Management Consulting Services,
- Mail & Courier Services, Trucking and Transport Services, Physical Security,
- R&D Services, Survey Services, Engineering Services,
- Landscaping, Fencing, Snow Removal, Environment Services, Wildlife Control, Facilities Repairs and Services,
- Real Estate Services, Marketing Services, Sales Materials and Signs,
- IT Services including Computer Trainers, Hardware and Software Purchasers, Image Serving Solutions, Programmers, Supply of Cisco Products, Security Analysts,
- Construction Crews, Line Operation Crews, Line Installations (hydro wires, pole diggers),
- Car Services including Supply of Vehicles (demand for various cars, trucks, trailers, snow mobiles, construction vehicles),
- Supply of misc products (cable, switchers, fences, steel, strut materials, pipes and clamps, fuel, concrete, heat shield panels, batteries, lattice),
- Consultants including Researchers, Project Managers, Programmers, Geotechnical Investigation, Construction Services (Design, Supply, and Install).



Procurement Trends and Forecasts

Opportunities for Aboriginal Procurement

The Electricity Sector Council's initiative is designed to encourage and increase Aboriginal business participation in the electricity and renewables sector supply chain. The Conference Board 2011 report provided an overview of some of the aggregate expenditures anticipated in the sector over the next couple of decades. The numbers are recorded and show a tremendous magnitude of opportunity for supply chain.

It is projected that over the next 20 years, 293.7 billion dollars will be spent in the electricity and renewables sector across three specific divisions: Power Generation, Power Transmission, and Power Distribution. The Conference Board based these calculations on regulatory filings and summaries, company annual reports, and company capital plans.

Averaged out, this means that the sector is forecasting a spend of close to 15 billion dollars annually over the next 3 - 5 years towards maintaining and developing the sector. This amount shows higher than previous years.

The generation of power is projected at 67%, or a \$9.7 billion spend, while 12% (\$1.8b) has been projected towards transmission, and 21% (\$3.1b) towards distribution.

The chart below summarizes some of the projected expenditures.³

			TOTAL EST. SPEND -20 YR	PERCENTAGE OF SPEND	ANNUAL SPEND
POWER GENERATION:		\$195.7B		\$9.79B	
	1st	Ontario	\$60B	31%	
	2nd	Alberta	\$44B	22%	
	3rd	Quebec	\$29B	15%	
POWER TRAN	SMISSION:		\$36B		\$1.8B
	1st	Alberta	\$17B	48%	
	2nd	Ontario	\$5B	14%	
	3rd	BC	\$4B	11%	
POWER DISTRIBUTION:		\$62B		\$3.1B	
	1st	Quebec	\$22B	35%	
	2nd	Ontario	\$21B	34%	
	3rd	Alberta	\$11B	18%	
TOTAL:			\$293.7B		\$14.6B
	1st	Ontario	\$86B	29%	\$4.3B
	2nd	Alberta	\$72B	25%	\$3.6B

Note: All dollars quoted at 2010 value

3 Conference Board 2011

The 'Generation' dollars could actually be split into two sub-categories for research purposes going forward. Category one would recognize the amount of capital that needs to be invested into the refurbishing, updating and/or the discarding of aging assets. This dollar spend is huge. The 'cracks' in the plaster are shining through since much of the 'generating' infrastructures were built prior to 1980 and the technology is outdated as well as worn. The 2003 blackout that hit the northeast of Canada and the U.S. is the perfect example to show how fragile the dated systems are and underscores the need for investments. Another key issue is 'longevity' of new structures and equipment. Whereas the life span prior to 2010 was gauged at 25+ years, the new life span, mainly due to new technologies, is only estimated at 10 years.

The second category would identify the projected dollars that would go into new generation: new facilities and the creation of renewable energies. Rebuilding the energy infrastructure in Canada goes hand in hand with the need for also minimizing the environmental impact of the action.

The division of dollars for "Distribution" could also be split into two sub-categories: One budget for the dollars spent to sustain delivery capacity, and another to accommodate growth of the electricity and renewables sector.

The bottom line however, is that in the short-term the majority of the proposed projects should likely be directed to improving the decaying infrastructure, and into proposed projects that are attached to renewable low-emission sources. For the long-term, these dollars will focus on renewable energy.

In the course of the research, the overarching consideration was to try to understand where the opportunities will be *realistically* for Aboriginal suppliers as the electricity and renewables sector makes capital investments, particularly in the near future. Through secondary research it was identified that a number of the electricity companies have established policies and procedures to engage and build relationships with Aboriginal suppliers. The Case Studies section of this report examines the research in this area.

Research was also conducted to examine recent tenders in the electricity and renewables sector. What specifically are these companies outsourcing by way of goods and services? In what categories do these outsourcings reside? For example, analysis of recent tenders shows that companies' outsourcing needs are in the areas of Construction, Electrical and Electronics, Engineering, Architectural and R&D Services, Financial/Auditing/Quality Control, Fuel, Batteries and Generators, IT Services and Products, Maintenance, Repair and Modification. This close analysis provides a more tangible understanding of the supply chain opportunities in the sector.

There are two profiles of the Aboriginal business community. One profile describes the characteristics of the Aboriginal small business person. A second profile is that of the Aboriginal Economic Development Corporations. Working from current survey work conducted by the Canadian Council for Aboriginal Business and Environics it is possible to distill some of the main characteristics of each segment of the Aboriginal business community.

The perspective so far is that there is a considerable amount of work to do to encourage growth of an Aboriginal supply chain. This report develops some clear recommendations for the electricity and renewables sector as to how to encourage and build an Aboriginal supply chain. But the kinds of approaches and investments that the sector may choose to make in this effort will vary depending on whether it sees promise working with Aboriginal small business or with Aboriginal Economic Development Corporations – or both segments.

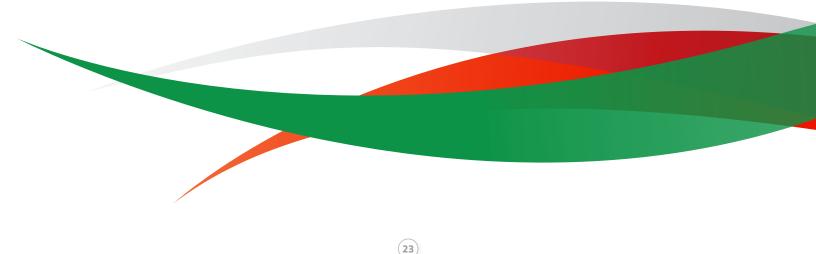
Consideration about the opportunities for Aboriginal supply chain in the electricity and renewables sector has both supply and demand dimensions. On the one hand we want to develop some manageable picture of the near future opportunities in the sector, on the other hand these opportunities are only realizable if the Aboriginal business community sees them as true business opportunities. Part of that understanding is informed by matters such as the Aboriginal business communities' understanding of the electricity and renewables industry, their stated interest in working in that industry and their capacity to develop as suppliers in the industry's supply chain.

The electricity and renewables sector has a desire to grow the Aboriginal supply chain but, speaking broadly, it does not yet have well articulated strategies to achieve this goal. Some businesses in the sector are showing the way. It is important that the good work that is being done in the effort to work with Aboriginal businesses and grow an Aboriginal supply chain is promoted.



Constraints which Impede Procurement

Aboriginal, First Nations, Inuit and Métis have been granted the right of self-government in many jurisdictions in Canada. As a result, signed treaties and settled land claims play a large part in the negotiations between electricity and renewables sector companies and Aboriginal groups. Agreements and partnerships are becoming the norm, and permits and approvals are now required for any capital and land development work. Also, resource-sharing and revenue-sharing models are becoming more widespread, with long term partnerships developing between sector companies and Aboriginal groups. Those interested in developing new capital projects need to be cognizant of the legal and environmental climate, and the rights and responsibilities of all of the parties involved.



G CASE STUDIES IN ABORIGINAL PROCUREMENT

Overview

This section focuses on some of the work currently carried out by leading companies in the sector. How are these company leaders encouraging Aboriginal procurement? The following case studies provide illustration of these companies' efforts. All of the companies studied have either an overall Aboriginal procurement policy, or Aboriginal procurement tactics in place. Best practices are highlighted, and they include the commitment to enterprise-wide policy, to strategic implementation, and to operational tactics.



The range and scale of procurement opportunities that could be discussed in these pages covers a wide spectrum. Many of the opportunities are quite specific with Aboriginal businesses responding to electricity companies' request for such needs as service maintenance contracts, for snow shovelling, brush clearing or the like. Or, there may be a request to provide services such as catering or security. These operational products and service needs are in contrast to procurement requests for proposals for independent power producers to develop entire alternative energy projects as part of, say, feed in tariff programs.

The range and complexity of procurement needs for this sector varies from small scale operational needs to large scale capital projects. In the case studies that follow in this report we cover a few different examples to illustrate the wide range of opportunities.

In researching and preparing the case studies four topics have continued to capture our interest. They include:

- Electricity and Renewables Sector Companies' Positioning With Aboriginal Communities
- Developing Procurement Policies and Strategies
- Operational Matters and Processes in Aboriginal Procurement
- Projects and Opportunities



Electricity and Renewables Sector Companies' Positioning with Aboriginal Communities

What are some of the ways that electricity and renewables sector companies are working with Aboriginal people, businesses and communities? Broadly, these companies' recruitment, corporate social responsibility and business development activities are part of an overarching effort to position their companies with Aboriginal communities. The underlying core values and principles as well as the tenor of the relationships developed are often guided and shaped by the individual company's Aboriginal leadership. It all starts with developing trust between parties.

Developing Procurement Policies and Strategies

As companies establish their directions on Aboriginal affairs and deepen their positioning they begin to formalize these positions in different parts of their organization. In the business development or procurement sections of the organization they may establish specific Aboriginal procurement policies and strategies.

Operational Matters and Processes in Aboriginal Procurement

What are the specific operational mechanisms that electricity and renewables sector companies are using to increase Aboriginal businesses opportunities to become successful vendors of products and services? How do these companies invite Aboriginal businesses to qualify for approved vendor lists? These and some of the other operational practices, procedures and mechanisms used by sector companies' procurement divisions are reviewed during the course of the case studies.

Projects and Opportunities

What are some of the larger projects that electricity and renewables sector Companies are currently involved in or planning that will likely lead to increased Aboriginal procurement opportunities? A cursory review of these large projects provides an indication of the sheer scale and scope of procurement needs. In a later section of the report we will develop some recommendations and strategies for the electricity and renewables sector to undertake to increase Aboriginal businesses' participation in the procurement opportunities from these large scale projects.



Ontario Power Generation Inc.

Ontario - Historical Background

The province of Ontario has a partially open market, with a hybrid of regulation contracts, and competition. Until 1998, the Ontario electricity and renewables sector was dominated by Ontario Hydro, a provincially-owned company which integrated generation, transmission system planning, and rural and remote distribution functions.

There are now five separate companies, one of which is Ontario Power Generation Inc. ("OPG"). OPG assumed Ontario Hydro's generation assets. The company's shares are held by the province of Ontario.

Hydro One inherited the transmission and rural distribution businesses, the obligation to serve remote communities, the administration of electricity markets in Ontario, the operation of Ontario's transmission grid, and the enacting of regulations on operational matters regarding generation, transmission, distribution, retail, and use of electricity in Ontario.

Of significance was the creation of the Ontario Power Authority (OPA) to act as a creditworthy body through which new generation can be procured by means of long term power purchase contracts or other types of agreements. The OPA is responsible for long term planning, conservation, and demand management, and certain aspects of market planning and control.

Ontario Power Generation

Ontario Power Generation (OPG) is a public company wholly owned by the Government of Ontario. OPG's principle business is the generation and sale of electricity in the province of Ontario. OPG is one of the largest power generators in North America, with a total generating capacity of over 19,000 megawatts;

Their generating assets include:

- 2 nuclear generating stations (Darlington, Pickering, and a leased third station to Bruce Power L.P.)
- 5 thermal generating stations
- 65 hydroelectric generating stations

First Nations and Métis Policy

Ontario Hydro has had a First Nations and Métis Relations department since 1992. OPG refocused this department in 2003. The First Nations and Métis Relations department is dedicated to working towards a positive future by building relationships with First Nations and Métis people and communities.

Whether managing current operations, or planning new projects, close consultation with community members and leaders is an essential part of the process. In 2005, OPG was given the mandate by the Government of Ontario to expand, develop, and improve its hydroelectric generation capacity. Knowing that solid relationships with Aboriginal peoples would be essential to the growth and improvement of hydroelectricity.

OPG moved forward in partnership with the First Nations, and pursue prospective hydroelectric developments in First Nations and Métis communities. The goal is long term mutually beneficial working relationships.



ONTARIO POWER GENERATION - Aboriginal Relations Policy

This policy emphasizes our determination to work with the First Nations of Ontario toward a mutually beneficial future. OPG is committed to building long term mutually beneficial working relationships with aboriginal communities proximate to its present and future operations.

OPG is committed to developing these relationships on a foundation of respect for the languages, customs, and political, social and cultural institutions of aboriginal communities.

OPG acknowledges the aboriginal and treaty rights of aboriginal communities as recognized and affirmed in the Constitution Act 1982.

OPG is committed to continuing efforts to reach mutually satisfactory resolution of grievances with respect to past hydroelectric development

Where appropriate, OPG will pursue prospective hydroelectric developments with aboriginal communities that can provide the basis for long term mutually beneficial commercial arrangements.

OPG is committed to operating in a commercial manner, consistent with OPG's Shareholder Agreement.

OPG's commitments are made on its own behalf, and not on behalf of the Crown or any other government agency. (Section 53.1(2) of the Electricity Act, 1998). Responsibility for the implementation of this Policy rests with the President and Chief Executive Officer (CEO).

The President and CEO or delegate will report regularly to the Board on activities associated with this Policy.

The President and CEO or delegate shall ensure a clear delegation of accountabilities and authority for the management and oversight of aboriginal relations activities.

The President and CEO or delegate, will chair a First Nations and Métis Relations Steering Committee to facilitate the integration of activities associated with the implementation of this policy.

Managers accountable for the development of operational business plans shall develop these plans with a view to implementing this Policy in the following areas:

- Community relations and outreach;
- Capacity building support within communities; and
- Employment/Business Contracting opportunities.

Aboriginal Peoples of Canada include the Indian, Inuit and Métis peoples of Canada (Constitution Act 1982, Section 35).

In 2011, the OPG Board of Directors approved a revised First Nations and Métis Relations Policy, as follows:

- To continually build and strengthen relationships with First Nations and Métis communities
- To address and resolve past grievances; and,
- Moving forward in partnership with First Nations and Métis communities to support:
 - 1. Community relations and outreach
 - 2. Capacity building support within communities; and,
 - 3. Employment/Business Contracting opportunities.

OPG is committed to doing on-site work First Nations and Métis communities various programs, including their Employment in Training, and Corporate Citizen programs. Through the Corporate Citizen Program, OPG provides financial support to registered charities and not-for-profit, educational and community organizations whose initiatives reflect OPG's values.

OPG is committed to giving back to the communities that host their facilities by investing through the Corporate Citizenship Program. OPG provides annual support to more than 1,000 grass roots not-for-profit initiatives in communities. Support is targeted to the primary areas of environment, education, and youth.



First Nations and Métis Procurement Strategy

On an annual basis, Ontario Power Generation purchases goods and services from outside suppliers who are primarily based in Ontario, contributing heavily to the province in taxes, dividends and other payments.⁴ OPG does not currently have a First Nations and Métis procurement policy in effect.

The annual spend on goods and services is primarily in the procurement of outside sources. Much of this work is technical, and procurement involves technical expertise in specific areas are required. OPG has found that many of the First Nations and Métis businesses do not have these qualifications to meet the demands for these contracts and positions. For example, there are no First Nations and Métis designated businesses with nuclear qualifications. (The only jurisdictions that have nuclear power are Ontario, Quebec and New Brunswick.

Supplier Focus & Opportunities

OPG is committed to developing relationships with preferred suppliers who can meet OPG's quality, delivery, service, and pricing requirements. Suppliers are also expected to act with integrity, and adhere to OPG's Code of Business Conduct. And, since these suppliers are a significant part of ongoing operations and costs, these relationships are critical to success.

Most of OPG's procurement opportunities are by invitation to vendors who have been identified as having the necessary expertise to bid on a particular type of opportunity.

Supplier Bidding

When OPG uses an open electronic process, Biddingo is used to post opportunities. A qualified First Nations or Métis business will find procurement opportunities listed on the www.biddingo.com/opg website. (Biddingo is a separate entity from OPG, and handles online tenders for various levels of government as well as larger corporations.) As mentioned above, not all opportunities are open to all vendors. Depending on the specific knowledge and expertise required, OPG reserves the right to hire reliable companies that they have historically been able to depend on to complete projects on a safe and timely basis. OPG's Procurement department will willingly give a First Nations and Métis business advice and direction, and help with the forms for both registering as a vendor, and bidding on an RFP. OPG is committed to procuring First Nations and Métis services and supplies wherever possible, especially in and near First Nations and Métis communities where OPG operates.

Developing Long term Relationships with First Nations and Métis Suppliers

There is a strong willingness for OPG to work with First Nations and Métis businesses. For example, in an effort to have more First Nations and Métis businesses sign up to be qualified vendors, OPG recently arranged a meeting with several business owners from the Mohawks of Akwesasne in Cornwall, Ontario. OPG created a workshop, brought in two recruiting specialists, then sat with twenty small businesses to discuss how to be on the OPG vendor radar by having them qualify and register as vendors.

The recruiting specialists walked these business owners through the process by first educating them as to what was needed to become a qualified vendor (specialty licenses, insurances, etc.). They then walked them through the application process.⁵

⁵ While this was indeed a success because it resulted in another First Nation vendor on their qualified list, it appeared that the other vendors decided not to pursue the opportunity seeing too much of a hurdle in the necessary paperwork.



⁴ OPG Website: www.opg.com

Future Projects and Opportunities for First Nations and Métis Businesses

There are many opportunities for Aboriginal businesses to become engaged with OPG – providing they are able to meet the business demands required.

The greatest opportunities for growth will be driven by large partnership projects. An example of this is the current agreement regarding the \$2.6 billion Lower Mattagami River Project, in Northeastern Ontario. This the largest northern hydroelectric construction project in 40 years. To date, First Nations and Métis businesses in the area have enjoyed over \$250 million in contracting opportunities on this project. The end result is expected to increase Ontario's supply of clean, reliable power by 438 MW, doubling its current capacity while using the same amount of water to power up to an additional 440,000 homes.

Hydroelectric

For Ontario, most of the 20th century was driven by hydro-electricity. OPG will continue to develop hydro electricity resources, safely and in an environmentally friendly manner. Ontario will undergo the largest hydroelectric expansion in almost 40 years through the Niagara Tunnel and Lower Mattagami projects.

The Niagara Tunnel

The tunnel is currently under construction. When finished, this massive initiative will supply enough water to OPG's Sir Adam Beck Generating Complex to power 160,000 homes annually. Total cost approx. \$1.6 billion; to be completed in 2013.

Little Jackfish Project

In Northwestern Ontario, the OPG is working on the Environmental Assessment, with Lake Nipigon First Nations, for this new hydroelectric project, which proposes the construction of a generating station on the Little Jackfish River and associated transmission lines. This would potentially generate up to 75 megawatts of new power for Ontario residents. Planning, research, and environmental studies are currently going on.

Lower Mattagami River Project

Currently under construction, this project is a partnership with the Moose Cree First Nation, who has up to 25% equity interest in the project. It will add 438 megawatts of hydroelectric capacity to Ontario's electricity system, costing approximately \$2.6 billion. This project began in 2010, and is expected to be complete by 2015.



Nuclear

New – Darlington Nuclear Project

This project involves the construction and operation of new nuclear power reactors at the Darlington Nuclear Station in Clarington (along Lake Ontario). This is estimated to be one of the largest capital infrastructure projects in Canada, and will supply up to 60 years of electricity. This project will create significant economic benefits to Ontario for many years, including employment, and the procurement of goods and services. Ongoing planning and research is currently underway.

Darlington Nuclear Refurbishment

OPG are going ahead with plans to refurbish their station components and CANDU reactors in order to ensure operation for another (approx) 30 years. Located in Clarington, construction is expected to start around 2016. This refurbishment will also provide many planning, development and construction jobs over approximately the next 15-year time period. During the project major kinds of jobs will be created, including:

- Definition Phase 2009-2014 Project management professionals, engineering, and construction workers for Infrastructure facilities.
- Outage Preparation 2014-2016 Project management professionals, engineering, and construction workers for infrastructure facilities.
- Outage Execution 2016 TBD Construction trades, engineering and project management professional including planners, schedulers, accountants and construction supervisors



Moose Cree FN and OPG Sign Historic Agreement Lower Mattagami River Project Generating Jobs in Northern Ontario

May 22, 2010, will be remembered as a historic date for both Moose Cree First Nation (MCFN) and Ontario Power Generation (OPG). At a ceremony held in Moose Factory, Ontario, representatives from both MCFN and OPG signed an agreement that provides The First Nation with *a right to purchase up to a 25 per cent equity interest in the project.*

"The Lower Mattagami River Project provides real and lasting opportunities for all Moose Cree members collectively and helps us build commercial capacity and infrastructure for the future," said Moose Cree First Nation Chief Norman Hardisty at the time of the project announcement. "As true partners in this development, we believe it will provide an economic foundation for the First Nation well into the future. We are grateful to our Elders for their guidance and support for the project."

Ratified by MCFN membership, the Agreement sets the parameters for a working relationship between OPG and Moose Cree and begins a reconciliation process by addressing past impacts of hydroelectric development on Moose Cree traditional land.

"It's very exciting to see the Lower Mattagami Project underway as it will create renewable energy that's available when people need it," noted Tom Mitchell OPG President and CEO. "We're especially proud to have the Moose Cree First Nation as our partners as it marks a new way of doing business in the North."

The Lower Mattagami River Project continues to generate employment in Northeastern Ontario. Construction on the project began in the spring of 2010 and is expected to directly employ approximately 600 people to a maximum of 800 during peak periods over the life of the four year project.

NEGP 2011 02 Northeast Newsletter: www.opg.com/community/activities/northeast.asp



Thermal Power

Ontario Power Generation (OPG) operates five thermal electricity generating stations with a combined capacity of 5,447 megawatts (MW). Four of these stations are currently fuelled by coal (as part of Ontario's long term energy plan, as noted above, coal will will not be used as fuel after 2014). The fifth, Lennox Generating Station, is dual-fuelled by oil and natural gas. Thermal stations are able to start and stop quickly, when needed, to meet peaks in demand and to satisfy electricity needs that cannot be met by Ontario's nuclear, hydroelectric, and growing portfolio of wind and solar energy systems.

Atikokan Station is located in Northwestern Ontario. Its capacity is 211 MW. Future plans are to convert this station to a biomass fuel generating station. Conversion is currently planned for completion in late 2013.

Nanticoke Station is located on the north shore of Lake Erie. Its capacity is 1,880 MW. Four of the stations eight generators have been retired. The other four coal-fuelled generating units are to be retired by end of 2014, or sooner. Natural gas is planned as a future fuelling option (preserving the option to co-fire with biomass in the future); however, the timeline for the project is still to be determined.

Lambton Station is located on the St. Clair River, south of Sarnia. Its capacity is 950 MW, with two coal-fuelled generating units to be retired by end of 2014. Natural gas considered as a future fuelling option. The timeline for the project is still to be determined.

Thunder Bay Station is located in the city of Thunder Bay. Its capacity is 306 MW and the plant is to be converted to natural gas fuel. The timeline for the project is still to be determined.

Lennox Station is located in Napanee in eastern Ontario, on the north shore of Lake Ontario. Its capacity is 2,100 MW. This is Canada's largest oil/gas fuelled electricity generating station.

Highlights and Key Findings

- In 2011, OPG's Board of Directors approved a revised First Nations and Métis Relations policy, with the responsibility for implementation resting with the CEO.
- The role of the First Nations and Métis Relations Division is to implement policy and best practices.
- Part of the role of the First Nations and Métis Relations Division is to ensure effective internal communications so that employees and contractors understand the new First Nations and Métis Relations policy.
- Future operational business plans must include strategies for First Nations and Métis community relations and outreach, capacity building support within communities, and employment and business contracting opportunities.
- OPG actively practices community consultation and resolution of past grievances.
- OPG currently has plans to develop a more comprehensive preferred vendor list.
- Ongoing First Nations and Métis supplier training and skills development has been identified as a requirement. OPG hosts career fairs and community outreach in First Nations and Métis communities. OPG also supports a variety of student awards at the post-secondary and college level, and community development programs.
- OPG has a variety of new power generation projects underway, all in different stages of development. OPG is involved in two partnerships with and potential partnerships with First Nations and Métis communities, including the Lower Mattagami River Project and the Lac Seul Station (Obishikokaang Waasiganikewigamig).
- There is a challenge around supplier capacity. While OPG is making progress with capacity development, more work is required to build First Nations and Métis business ability to meet the business needs and the standards of OPG procurement mandates.



Pukwis Energy Co-Operative

Pukwis Energy Co-Operative (Pukwis) is an Independent Power Producer based in the province of Ontario. Green energy represents a significant opportunity for Aboriginal communities. Aboriginal communities, businesses, and individuals are, by nature, in a position to play a vital role and prominent place in this industry. The ability to efficiently develop and deploy the green industry and the Aboriginal workforce are two most important and intertwined needs in Canada today.

Ontario's Green Energy and Economy Act, which allows individuals and companies to sell renewable energy to the power grid at fixed long term rates is further stimulating Aboriginal potential. The Act is the only one of its kind worldwide that promotes Aboriginal participation with measures that include: an Aboriginal Loan Guarantee Program, an Aboriginal Energy Partnerships Program, and Aboriginal price incentives over and above the feed-in tariffs being paid for renewable energy. It is estimated the Green Energy and Green Economy Act will result in the creation of over 50,000 jobs in Ontario's Green Energy Sector in the next three years, which will drive over \$10 billion worth of revenue.

Aboriginal communities are well positioned to participate in these projects across the country because many will be developed in traditional territories. Aboriginal people also recognize the potential of generating clean energy on their own reserve lands and are pressing ahead, developing wind, solar and hydro projects.

In an Oct. 12, 2010 report, OPA said that it has signed contracts for 264 megawatts of community-owned projects, and another 120 megawatts of projects owned by Ontario's Aboriginal people. The contracts represent 16 percent of Ontario's 2,500 megawatts of feed-in tariff contracts to date.

In the years after Ontario Hydro was split into its constituent portions, seven Independent Power Producers (IPP) merchant generation facilities were commissioned. However, the 2002 government intervention in market prices for electricity ended merchant IPP. The Ontario Power Authority was created specifically to procure new privately financed supply, and it has moved rapidly to fulfill its mandate by issuing a series of requests for proposals ("RFPs"), which have increased IPP investment in gas-fired, wind, other renewable energy and combined heat and power projects. Since 2005, over \$10B in new generation or nuclear refurbishment has been contracted for. IPP generation will continue to form a significant part of Ontario's new supply.

(Overview of Electricity Regulation in Canada by Blake, Cassels & Graydon LLP, 2008)



According to one author no other jurisdiction in North America has made such a concerted effort as Ontario has to guarantee that a portion of the new renewable generating capacity to be built will be owned by its own citizens and native peoples through the province's innovative Feed In Tariff program (FIT).⁶

One segment of the renewable energy sector that has been attracting considerable interest from investors is with wind energy projects. Wind power is among the world's fastest growing sources of green electricity, and the potential for continued expansion is enormous. It is estimated that Canada could generate at least 20 per cent of its electricity from wind by 2025. While the wind proportion is currently only one per cent, the number of wind turbines being installed has grown significantly. A two megawatt wind turbine can produce enough electricity to meet the yearly needs of about 500 homes.

Wind power also offers opportunities to create jobs in manufacturing, installing and maintaining wind turbines. Communities that have wind farms in their vicinity can benefit from some of these new jobs as well as earning additional revenue from taxes and payment for land leases. In Pincher Creek, Alberta, for instance, wind farms generate more than a quarter of the municipal district's annual revenue and have become a significant employer in the area.

When completed, Ontario will have the largest installed base of community-owned renewable generation in North America, surpassing the current community ownership of renewable generation in Minnesota. Nearly one-third of the capacity will be built by Ontario's Aboriginal population.

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A basic feed-in tariff (FIT) is a renewables promotion policy that pays a guaranteed price for power generated from a renewable energy source, most commonly for each unit of electricity fed into the grid by a producer, and usually over a fixed long term period (typically 20 years). A FIT also can be developed for units of heat supplied from biomass, solar thermal, or geothermal energy sources.

The FIT payment is usually administered by the utility company or grid operator and is derived from an additional per-kWh charge for electricity (or other energy source, such as heat) that is imposed on national or regional customers, often spread equally to minimize the costs to individuals. Tariffs may be differentiated by technology type, size, and location, and they usually decline over time. The basic FIT has been popularized in its "modern" form by Germany, which serves as a reference point for all similar policies. It could be called a "market-independent" mechanism.

Another variation of a FIT policy is a "premium FIT," a marketdependent mechanism developed principally by Spain and emulated elsewhere. Here, two remuneration components exist instead of one: a reduced FIT payment, plus the hourly market price for electricity. To ensure that the combination of the two does not pay producers either too little or too much, the Spanish version uses a lower floor and upper cap. The policy community broadly agrees that a "true" FIT includes three key provisions:

- 1. guaranteed grid access,
- long term contracts for the electricity (or heat) produced, and
- prices based on the cost of generation plus a reasonable rate of return. However, formulating a definition that is broad enough to encompass all of the instruments claimed to be FITs by their legislative creators is difficult.

The range of policies and their provisions vary widely year-byyear. Moreover, experts may disagree about whether or not a given policy should be called a "true" FIT, based on price levels, capacity limits, administrative provisions, or other factors.

For the purposes of this report, policies are classified as FITs if they are defined as such by the jurisdictions enacting them, rather than relying on an absolute set of criteria that would be difficult to apply in practice.

Source -- REN21. 2011. Renewables 2011 Global Status Report (Paris: REN21 Secretariat).

Organization

An example of the kinds of investments Aboriginal groups are making in the renewable energy segment is the Pukwis Community Wind Park. This is a 54 MW wind farm joint venture project between the Chippewas of Georgina Island First Nation and a community based co-operative, Pukwis Energy Co-operative. Collaboration on Pukwis began in 2003.

Pukwis, only 80 km north of downtown Toronto has steadily developed from feasibility to construction phase. The co-operative will be comprised of members from within the Greater Toronto Area (GTA). Project construction will be financed by equity raised within the GTA through a co-operative share offering enabled by the Green Energy Act and by traditional commercial loans backed by a long term power purchase agreement with the Ontario Power Authority. This means that opportunities will be available for individuals to become members of this community based cooperative and to become investors in Pukwis. The Pukwis community wind project will be the first Aboriginal and community-owned wind project in Canada and possibly in North America. Pukwis is the Ojibwa word for whirlwind.

Future Projects and Opportunities for Aboriginal Businesses

The Alliance for Renewable Energy reports that at this time Ontario and Nova Scotia are the only provinces that have FIT legislation and an operating FIT program. British Columbia recently held a consultation on feed-in tariffs but no legislation or program is planned. New Brunswick has a special tariff for renewable power projects but it is not a true feed-in tariff as it is not based on providing a reasonable rate of return for investors. Several other provinces have net metering legislation.⁷ Opinions vary widely on the cost benefit analyses of the FIT program. However, even in the relatively short period of time since the introduction of the program in Ontario, the FIT program has stimulated considerable development. In Ontario in particular, the Fit program, in combination with the program supports offered by government for the Aboriginal population, seem to be having a strong initial impact on Aboriginal business development. This development scenario seems to offer new ways to increase Aboriginal procurement opportunities.

Highlights and Key Findings

- Pukwis Energy Co-Op is Aboriginal owned. Pukwis plans to raise construction funds financed by equity raised within the GTA through a co-operative share offering enabled by the Green Energy and Green Economy Act (2009), and by commercial loans backed by a long term power purchase agreement with the Ontario Power Authority.
- Ontario's Green Energy and Green Economy Act allows individuals and companies to sell renewable energy to the power grid at fair, fixed long term rates. This Act promotes Aboriginal participation, with measures that include an Aboriginal loan guarantee program, an Aboriginal energy partnerships program, and Aboriginal price incentives over and above the feed-in tariffs being paid for renewable energy.
- Pukwis Energy Co-Op has identified significant opportunities in developing new green energy projects as a result of the favourable legislative climate in the province of Ontario.
- As evidenced by Pukwis Community Wind Park, Aboriginal communities are well positioned to participate in these
 projects, because many will be developed in traditional territories. Wind energy is one of the fastest growing areas of
 renewable energy.
- Pukwis is an example of the kind of infrastructure investment being made by Aboriginal communities with the help of the province, and public participation.

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⁷ Alliance for Renewable Energy – 2012 (web site www.allianceforrenewableenergy.org)

BC Hydro British Columbia - Historical Background

British Columbia has a long history of providing consumers with affordable energy which is principally hydro-based power supplied by BC Hydro, the government-owned utility. The BC Government's strategy is for over 90% of this supply to be self-sustaining and based on clean or renewable resources, and expressly excludes nuclear energy development. British Columbia has been a keen observer of the electricity market changes across Canada, and has seen the de-regulation and partial de-regulation of the sector, primarily led by the Provinces of Ontario and Alberta. Despite establishing an open access transmission tariff in 2005, the BC Government remains committed to publicly-owned generation and transmission assets.

BC Hydro is a commercial Crown corporation, owned by the province of British Columbia, reporting to the BC Ministry of Energy and Mines. BC Hydro employs 5,800 direct staff, and its net income was \$589 million for the year ended March 31, 2011, compared with \$447 million the year before (*return on investment* = 14.13%).

Quick Facts About BC Hydro

- BC Hydro has many power generation facilities located in First Nations traditional territories, plus more than 2,000 kilometers of transmission and distribution lines located on about 500 First Nations reserves.
- BC Hydro is one of North America's leading providers of clean, renewable energy. It is the largest electric utility in BC. They serve approximately 95% of the province's population, and approximately 1.8 million customers.
- BC Hydro operates 30 hydroelectric facilities and three natural gas-fueled thermal power plants. Hydroelectric generating stations on the Columbia and Peace rivers produce approximately 80% of BC's electricity.

We are investigating alternative sources of energy, like wind and wave power, in addition to using natural gas and thermal power to round out our generation portfolio.

(Source BC Hydro,

Over 80% of BC Hydro's installed generating capacity is at hydroelectric installations in the Peace and Columbia River basins. The GM Shrum and Peace Canyon generating stations on the Peace River produced 29% of BC Hydro's electricity requirements. In the Columbia River Basin, Mica and Revelstoke hydroelectric plants together contributed 25%, while Kootenay Canal and Seven Mile generating stations together supplied 10%.

The remaining 25 hydroelectric generating stations supplied 14% of electricity production. One of our other generation strategies is thermal. The Burrard Thermal Generating Station contributes 7.5% and the remaining 14.5% of the electricity requirement was supplied by purchases and other transactions."

There are many power generation facilities that are located in First Nations traditional territories. BC Hydro also has more than 2,000 kilometers of transmission and distribution lines that are located on an estimated 500 First Nations reserves.

Aboriginal Policy

BC Hydro have established a mandate and strong commitment from the Executive level down, to integrate an Aboriginal relationship component into all that they do, each day, over different departments, and in all areas. This means having Aboriginal representation with BC Hydro's management in roles of Aboriginal relations and negotiations, procurement, employment and education, and community representation. The employees from these areas are all experts in their field, who are in professional and collective bargaining positions. It also means that they are able to understand and respond to the key priorities of British Columbia's First Nations and Aboriginal people. Their objectives are to:

- Build sustainable long term relationships with First Nations
- Listen and respond to First Nations' interests



BC Hydro's commitment to working with Aboriginal people, businesses and communities is underscored by some milestones over the past twenty years.

- As early as 1992, BC Hydro showed their strong commitment to building relations with the Aboriginal and First Nations. The year 2012 now marks BC Hydro's 20th anniversary of its Aboriginal Relations Department.
- In 2006, the Aboriginal Education and Employment strategy was approved by BC Hydro's Board of Directors, kicked into gear, and a 10 year goal was put into place that acknowledged their need to support educational and training programs in order to develop the capacity of the Aboriginal talent pools for both BC Hydro, and the province of BC at large
- An important milestone in BC Hydro's work with First Nations was their adoption of a 20-year goal in order to "establish relationships with First Nations built on mutual respect and that appropriately reflect the interests of First Nations"

Open and transparent consultation and communication helped us achieve a higher level of public acceptance as we upgrade and build transmission infrastructure to meet British Columbia's long term energy needs. Our comprehensive communication and consultation program helped us to build and strengthen relationships with First Nations, communities, and stakeholders across the province. Last year, we undertook 170 community relations initiatives — a 30 percent increase from the previous year.

BC Hydro

- In 2008, BC Hydro was the first utility company to join the Canadian Council for Aboriginal Business's (CCAB) "Progressive Aboriginal Relations" (PAR) program. The PAR program was established 10 years ago, evaluating companies' initiatives and outcomes in 4 different areas: business development, employment, community investment, and community engagement. Just one year later, in 2009, BC Hydro earned a PAR Silver Award. BC Hydro then launched a 'Going For Gold' strategy with the desire to move that Silver to Gold standing by 2012.
- Also, in 2009, BC Hydro's progressive and long term approach to Aboriginal Relations were acknowledged by Corporate Knights Magazine, a magazine whose mission is for 'clean capitalism – to humanize the marketplace; Making it easier for people to know the environmental and social impacts of their marketplace decisions." BC Hydro ranked first place in the Corporate Knights Magazine's inaugural ranking of utilities with a 71% grade. They credited BC Hydro's progressive and long term approach to Aboriginal Relations.
- In 2010, a traditionally carved Coast Salish Spindle Whorl was unveiled at the Edmonds building, as part of BC Hydro's National Aboriginal Day celebrations on June 21. The six-foot diameter Spindle Whorl, carved by Squamish Nation member who was also a BC Hydro employee. This artwork honours the resurgence of Salish weaving and acknowledges the importance of BC Hydro's relationships with First Nations.

These milestones show BC Hydro's commitment to developing effective relationships with Aboriginal people. Their strategy has been long term in its orientation and mandated by their executive and senior staff. These efforts have brought recognition to BC Hydro from external organizations and media which have further validated their efforts and resolve.

From an organizational perspective, BC Hydro has four areas within the company which oversee specific aspects of their Aboriginal relations strategy.

- Aboriginal Relations and Negotiations
- Aboriginal Education and Employment (responsible for overseeing the Aboriginal Education and Employment Strategy (AEES)
- Aboriginal & Sustainable Communities Sector (includes Key Account Management Aboriginal Sector)
- Aboriginal Contracts and Procurement



The core focus of these four areas is on sustainable economic development for the Aboriginal businesses, people, and communities. All departments strategize and feed off of each other's plans and forward thinking. BC Hydro recognizes that First Nations occupy unique legal, historical and social circumstances, and that the company's relationship with First Nations is distinct from other stakeholder groups. BC Hydro works with First Nations as directed by the company's Aboriginal Relations and Negotiations Department.

Some of the key initiatives involved in BC Hydro's Aboriginal Relations program include:

- Engagement Promoting learning and innovation through fair, transparent, inclusive and responsible processes.
- Education and Employment Aiming to be an employer of choice among Aboriginal people and to actively educate, recruit and retain Aboriginal employees.
- Donations, Sponsorship and Scholarship Supporting and strengthening Aboriginal communities through monetary
 and in-kind donations in the areas of environment and sustainability, youth and education, and community leadership.
- Customer Service Improving customer service in First Nations communities.
- Reliability Improving reliability in First Nations communities.
- Economic Development Advancing economic opportunities for First Nations to both build their capacity and to develop more sustainable, long term relationships through Aboriginal Contracting and Procurement, the Aboriginal Business Directory and Calls for Energy.

Aboriginal Procurement Strategy

BC Hydro's Procurement area was established to create economic growth for Aboriginal people and communities. They follow a Board approved Aboriginal Procurement Policy. Their goal is to also create internal awareness and educate internal staff regarding Aboriginal businesses. They also have a mandate to carry their policies and strategies directly to the communities to increase awareness of their opportunities at BC Hydro – whether it is through Procurement, Education or Employment.

In 2007, BC Hydro introduced their Aboriginal Contracting and Procurement Policy. The focus of this policy is to increase opportunities for Aboriginal businesses that will result in long term economic growth for the Aboriginal people and their communities.

This policy enables BC Hydro's contract managers the ability to make use of a number of procurement mechanisms and tools to create greater access for Aboriginal businesses or service providers. This includes set asides/restricted tendering, specific Aboriginal business source negotiations and select tenders.

Examples of this Procurement Policy at work are as follows:

- In the 2010 fiscal year, BC Hydro awarded approximately \$20 million in contracts direct to Aboriginal businesses.
- Hydro announced a plan to work with the Sexqeltkemc of the Secwepemc Nation to develop a temporary "home away
 from home" for approximately 250 contract employees as part of the Mica 5 and 6 Project. The Contract was awarded
 to Horizon North Camps and Catering Partnership and is one of the largest ever awarded to a First Nations joint venture
 by BC Hydro.

This is the second project awarded to First Nations in support of the Mica 5 and 6 Project. Recently, BC Hydro awarded a contract to Kinbasket Integrated Project Management (KIPM) to perform water, sewer and service upgrades at the Mica town site for the project. CIPM is comprised of three Secwepemc Nation bands: Shuswap, Simpcw and Little Shuswap.

In addition to the Aboriginal procurement mechanisms, all BC Hydro Requests for Proposals (RFPs) and Tenders include Aboriginal content evaluation questions. Potential suppliers receive points in the evaluation process if they are an Aboriginal business, are partnering with and/or sub-contracting a portion of the work to an Aboriginal business, or can show how their business provides benefits to Aboriginal peoples or communities such as employment and training programs, scholarships, etc. The Aboriginal Content Evaluation questions generally account for approximately 5% of total evaluation points available.

In fiscal 2009, stakeholders from all sectors, in addition to approximately 700 First Nations and independent power producers, participated in 10 information sessions and workshops related to BC Hydro's Calls for Power.



Procurement Mechanisms

BC Hydro has a competitive sourcing process. As well as some select advertising, all of BC Hydro's RFPs (**Request For Proposal** – a search for solutions from proponents, where the award will be earned by the business who rates a highest score with the best overall value to the project), RFTs (**Request for Tender** – a frequent procurement practice for construction and major equipment), and RFIs (**Request For Information** – used to gather general supplier or services information), and RFQ (**Request For Quotation**) are advertised on www.bcbids.com. BC Bids is a website created to allow the BC Public Sector to post tenders and bids to one central site. This free site (there is no charge to view or download bid documents), is managed by the Purchasing Commission of the Government of British Columbia. There are currently 121 Government Organizations listed here including, but not limited to, 14 Ministries, health, housing, finance, and education.

BC Hydro, in turn, will also post the proponents that responded to the competitive bids, and the suppliers who won these awards, on the BC Bid website. The submission deadlines are set. Absolutely no submissions are accepted past the announced deadline.

BC Hydro collects and maintains a list of Aboriginal businesses. They also use this list of Aboriginal companies who have registered with them, to alert them to new RFP's, RFTs, and RFIs. When outside services or supply business opportunities become available, BC Hydro's Aboriginal Procurement department may also send an email notification of these listing to these registered Aboriginal suppliers.

Once sourced through www.bcbids.com, submitting a bid/proposal, can be done via hard copy (submitted by courier), or electronically through E-Bid on the BC Bid website.

Upon request from an Aboriginal business, the Aboriginal Procurement area within BC Hydro will also help an Aboriginal business with any difficulties they may encounter with submitting their proposal.

All bid proposals are awarded points for specific categories. Aboriginal businesses are awarded additional points specifically for being an Aboriginal business. BC Hydro encourages non-Aboriginal businesses to include Aboriginal suppliers, supplies, and services on their RFPs by also awarding them additional points on their submissions. BC Hydro encourages non-Aboriginal businesses to consult their Aboriginal Business Directory, to search out Aboriginal suppliers.

Preferred Supplier List

Like all major corporations, BC Hydro has a "preferred supplier list" – companies that can meet BC Hydro's standards for quality, delivery, service, and price requirements. They will reach out to companies that they have experience with, and ones that will be able to get the work done in a safe, and culturally sensitive, manner as well.

However, BC Hydro has also developed an 'Aboriginal Business Directory', which they maintain, and continually update.⁸

BC Hydro encourages Aboriginal businesses to register on this site. In this process BC Hydro staff will teach Aboriginal businesses personally, one on one, or in groups, how to register their businesses. When visiting First Nation communities, they specifically take the time to include these sessions in their visits. Currently, they have close to 450 Aboriginal businesses registered, with over 190 of these businesses coming on board during in 2011.

This directory is not proprietary to BC Hydro. This database of supplier information is used by BC Hydro directly to match Aboriginal businesses with upcoming BC Hydro initiatives and contracts, or with other businesses (Aboriginal or non-Aboriginal) for partnership opportunities.

They make this list available for any organization to access, with the hopes that they can bring additional business to these registered Aboriginal companies.

While BC Hydro also has a preferred list of non-Aboriginal suppliers, it is not quite as in depth as the Aboriginal supplier list. Currently, there is no way to 'connect' these lists. This is a goal of the Aboriginal Procurement department – the thought being that both Aboriginal and non-Aboriginal businesses could benefit through this business match. This would open the door for Aboriginal businesses to develop their own relationships with non-Aboriginal suppliers.

⁸ www.bcaboriginalvendors.ca/aboriginal_vendors/

BC Hydro Supplier Application

BC Hydro recognizes that Aboriginal-owned companies have a variety of capabilities and can provide their expertise in:

- Vegetation Management Services
- Line Maintenance
- Hospitality
- Construction and Engineering
- General Services
- Environmental Services
- Consulting Services

As a means to promote business opportunities, BC Hydro's Aboriginal Business Directory is used to match opportunities with potential suppliers and to help facilitate joint ventures or partnerships between Aboriginal and non-Aboriginal companies. Companies that are registered in the directory may be notified by email, as business opportunities become available on the BC Bid Website

Developing Long term Supplier Relationships

As we have stated, it is BC Hydro's mandate to practice and encourage solid relations with the Aboriginal businesses, people, and communities. Their growing Aboriginal Supplier list that is accessible by all businesses is solid example of progressive thinking. BC Hydro's orientation is long term development, building lasting relationships with communities and Aboriginal businesses.

Future Projects and Opportunities for Aboriginal Businesses

As of Jan. 31st, 2012, there are 8 long term projects underway in the 'Generation' category and 11 key projects listed in the 'Transmission & Distribution' category.

Outside of these major projects, there are several 'ongoing' areas of opportunity within BC Hydro. Maintenance, upgrades, and new clean renewable energy initiatives top the list for those companies and people with the skills required to handle these types of projects.

A few examples of these project opportunities are briefly summarized. These initiatives are listed on the BC Hydro website, as are related RFQ, RFP, RFT, RFI requests, and communication project updates. A BC Hydro mantra is 'open and transparent consultation and communications', and their project updates and listings are a solid example of this.

Spillway Gate Reliability Program

There are 41 dam facilities that BC Hydro own, and must maintain, throughout B.C. Spillway gates are a critical component of any dam and generally used in times of floods, when high inflows exceed the amount of water the generating facility can handle. Gate replacement is needed as many are old and nearing the end of their service life. The scope of work varies on a site-by-site basis, and will be replaced in order of need and priority.



Substation Projects

There are more than 300 substations located throughout the province of BC. Substations are the link between the hydro transmission system and the distribution system. BC Hydro regularly reviews their substation facilities to ensure they meet current safety standards and reliability.

There will be ongoing work to upgrade these substations. There are three projects underway:

- 1. Big Bend Substation Project: \$33 million project; Site prep underway, construction schedule to commence 2012, completion 2014
- Buckle Bay Substation: \$30 million project; Project underway, Site clearing scheduled for March 2012, completion July 2014
- 3. Wellington Substation: \$30 million project; Project underway, Site clearing scheduled for March 2012, completion late 2013

John Hart Generating Station Replacement

Location:	Campbell River, Vancouver Island
Project Overview:	Operating since 1947, JHGS is one of the oldest generating stations in BC Hydro's hydroelectric system. The reason for upgrading and transforming the facilities are:
Safety:	There are seismic risks to the pipelines and they/the structure, may not withstand being struck by a moderate earthquake; Reliability — the units are in poor condition; Environment — there is ongoing environmental risk to fish from potential reduction in river flow.
Cost:	\$1.35 billion, Employment is estimated at 2000 person years.
Timeline:	Preparation is underway for Spring 2012 procurement, to be awarded in early 2013; Construction to commence summer 2013, with an estimated completion date in 2017/2018.
Special Note:	BC Hydro has been in talks and consulting with First Nations and engaged stakeholders since 2007.

Site C Clean Energy Project

Location:	Peace River, Northeast BC
Project Overview:	Site C is a proposed third dam and hydroelectric generating station. It would be a source of clean, reliable and cost-effective electricity for more than 100 years, providing enough energy to power 450,000 homes per year.
Timeline:	Currently in phase 3 of development and undergoing environmental evaluations. Detailed design and procurement to happen in 2013, with construction commencing in 2014. Estimated project completion is 2020, with the first generating units in service in that year, and all units in service by 2021.
Employment:	Estimated to create 7,000 person-years of direct employment during a 7 year construction period; It is estimated to create up to 35,000 direct and indirect jobs through all stages of development and construction.
Special Note:	Legacy benefits associated with the Site C project will be determined in Stage 3 in consultation with the public, local governments, Aboriginal groups and the Province. BC Hydro is also working with Aboriginal communities to identify opportunities, such as skills training, jobs, and economic development.



Northwest Transmission Line (NTL) Project

Location:	Northwest – Skeena Substation (near Terrace) and Bob Quinn Lake
Project Overview:	Construction of a new 287 kiloVolt transmission line from Skeena Substation (near Terrace) that will run approximately 344 kilometres north to a new substation near Bob Quinn Lake. Project is designed to provide an interconnection point for future industrial development and clean power projects in Northwest BC.
Cost:	Between \$364 million and \$525 million
Timeline:	The project is underway, with right-of-way clearing commencing January 2012, and completion anticipated in mid-2014.
Employment/Benefits:	280 direct jobs per year of construction.
Special Note:	This Northwest Transmission line is a catalyst that could create up to 5,700 jobs in the Northwest region between 2011 and 2021, according to labour market research.

The NTL will be a 344-kilometre, 287-kilovolt transmission line between Skeena Substation near Terrace and a new substation near Bob Quinn Lake. The line will be in service by spring 2014.

The NTL will provide a source of electricity to potential mining projects in the area and an interconnection point for the AltGas Forrest Kerr run-of-river hydro-electric project. These developments will provide long term job opportunities in the region. Strong labour demand is also coming from other projects including the Rio Tinto Alcan modernization project, and the Kitimat liquefied natural gas plant/pipeline project.

Mica Switchgear Project

Location:	135km north of Revelstoke; the cornerstone of BC Hydro's Columbia River generating system
Capacity:	Max capacity of 1,805 MW.
Project Overview:	Replace aging switchgear equipment.
Timeline:	This project is currently underway, with completion expected in 2013.

Mica Units 5 & 6

Location:	135km north of Revelstoke
Capacity:	To add 1,000 MW (total 2,800 MW).
Project Overview:	Install 2 new (previously deferred) generating units into existing turbine bays (500 MW per).
Cost:	\$700 to \$800 million.
Timeline:	This project is currently underway, having started mid-2011, with an expected completion date of 2014/2015.
Employment:	Creation of 800 person years of direct employment; hiring preference given to residents of the Columbia River basin and equity groups, including First Nations. BC Hydro has been providing a total of \$120,000 to support trades training programs offered in the local communities in and around Revelstoke.



New Westminster Transmission Project

Location:	Lower Mainland, New Westminster
Project Overview:	Construction of a 2.8km, 60 kiloVolt underground transmission circuit to meet demand of growing population throughout this area. Replacing 2 of 3 transformers with new larger ones.
Cost:	\$37.5 million.
Timeline:	This project is scheduled to start in January, 2012, with an expected completion date of 2013.

Columbia Valley Transmission Project

Location:	Columbia Valley (Invermere, Golden)
Project Overview:	A new substation is being built called Kicking Horse Substation, which is located near Golden. Connecting this substation to Invermere Substation with a new transmission line, and also to Golden with a new transmission line.
Cost:	Between \$132 and \$209 million.
Timeline:	This project is currently underway, and is scheduled to be completed by the end of 2012.
Special Note:	This project has provided \$17 million worth of employment opportunities in the local community. First Nations engagement includes consultation with the public and First Nations as a priority. BC Hydro Aboriginal Relations Department led the engagement of First Nations. First Nations were presented with the opportunity to participate in the broader public consultation process, and also directly engaged to be informed of the project and to identify potential impacts it may have had on their interests.

Dawson Creek/Chetwynd Area Transmission Project

Location:	South Peace/Dawson Creek
Project Overview:	A new substation, expansion of two existing substations, and two new 230-kilovolt double circuit overhead transmission circuits in order to meet the demands of a growing population (due to natural gas exploration).
Cost:	Between \$150 and \$250 million.
Timeline:	This project is currently underway, with an expected completion date of end of 2013, or into first quarter of 2014.
Employment:	55 to 110 workers will be employed during various phases of construction.
Special Note:	There is consultation to identify potential impacts. BC Hydro consulted (and is doing ongoing consultation) with First Nations to identify any potential adverse impacts of the project on Aboriginal and Treaty rights, as well as measures and strategies to avoid, mitigate or otherwise accommodate those impacts.



Interior To Lower Mainland (ILM) Transmission Project

Location:	Merritt to Coquitlam
Project Overview:	To expand the capacity of the transmission circuits that brings power from generation resources in the north and southern interior of the province. A new 500 kiloVolt transmission line will be built mainly along an existing right-of-way between Merritt and Coquitlam. The ILM is the largest expansion to BC transmission lines in over 30 years.
Cost:	\$709 million (+/- 10%).
Timeline:	Approvals are underway, with an expected completion date of 2015.
Employment/Benefits:	Approx. 550 person-years of employment will be created. And, there will be opportunities for local suppliers of goods and services during construction.

Merritt Area Transmission Project

Location:	Merritt
Project Overview:	Expansion due to growth in the area. The existing 37 km transmission line between Merritt substation and the Highland substation will need to be upgraded, as will the Highland substation itself.
Cost:	\$22 million.
Timeline:	This project is expected to start in the spring of 2012, with an expected completion date of 2014.
Special Note:	First Nations were presented with every opportunity to benefit from the broader public consultation process, and offered separate engagement processes designed to meet specific cultural and community needs.
	This plan was based on feedback from the City of Merritt, the Merritt Area Transmission Task Force, and a number of First Nations communities as well as other criteria such as system reliability, environmental, engineering and costing analyses.

Vancouver City Central Transmission (VCCT) Project

Location:	Central Vancouver
Project Overview:	Construction of a new above-ground substation (Mount Pleasant Substation), installation of a transmission line under city streets, and drilling/installation of a crossing under False Creek. This is needed to meet the growing demand for power in the south False Creek and Mount Pleasant areas, and it will increase the reliability of electricity supply.
Cost:	Between \$177 and \$195 million.
Timeline:	Construction is underway, and a 2013 completion date is projected.

BC Hydro's \$6 billion, 3-year regeneration plan meets growing power needs \$800-million Ruskin Dam and Powerhouse upgrade to renew 80-year-old facility

VANCOUVER – With aging infrastructure in need of significant upgrades and B.C.'s demand for electricity projected to grow by 40 per cent in the next 20 years, BC Hydro on Tuesday provided updated details about its \$6 billion, three-year capital investment strategy aimed at meeting the public's current and future demands for clean, reliable electricity. Also part of its three-year plan, BC Hydro this week will submit one of its largest ever applications to the BC Utilities Commission (BCUC) for approval of an \$800-million upgrade of the 80-year-old Ruskin Dam and Powerhouse. Located near Mission, B.C., the Ruskin Dam and Powerhouse has not received significant upgrades or modifications since the last generator was added in the 1950s. It will also create approximately 1,050 person-years of employment during construction. Over the next three years, BC Hydro will be in a regeneration phase, investing to renew and expand the province's electricity system. While this phase will put upward pressure on rates, BC Hydro is committed to maintaining among the lowest rates for electricity in North America.

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(Source) -- BC Hydro Press Release February 22, 2011

Ruskin Dam & Powerhouse Upgrades

Location:	Lower Mainland
Project Overview:	Originally built in the 1930's, Ruskin dam and powerhouse are in need of upgrading to meet seismic requirements, and to replace aging powerhouse equipment.
Cost:	\$720 to \$850 million.
Timeline:	This project is awaiting approval by BCUC, and is estimated to commence mid-2012, with a project completion date of 2018.
Employment:	Creation of 800 person years of direct employment; hiring preference given to residents of the Columbia River basin and equity groups, including First Nations. BC Hydro is providing \$120,000 to support trades training programs offered in the local communities in and around Revelstoke.

Smart Meters

Project Overview: Installing 1.8 million meters to homes and businesses throughout BC by December 2012. Smart meters are expected to save BC customers over \$70 million over the next 3 years alone. This project is currently underway, and expected to end in 2012; however, it is an important example of a new upgrade initiative that will save the province millions of dollars.

Highlights and Key Findings

- BC Hydro shows enterprise-wide commitment to Aboriginal inclusion and procurement and has an Aboriginal relations department and an Aboriginal procurement and contracting policy.
- BC Hydro has spent many years developing relationships and partnerships with Aboriginal people, businesses, and communities, and has developed strategies for Aboriginal employment, corporate social responsibility, and business development.
- BC Hydro has mechanisms in place to promote Aboriginal procurement including "unbundling" of large contracts, supplier development workshops, qualitative bid evaluation criteria, and longer lead times.
- BC Hydro assists Aboriginal businesses in responding to requests and submitting bids.
- BC Hydro has an active Aboriginal supplier database, and regularly communicates with the Aboriginal business
 community, including informing Aboriginal businesses of new opportunities and providing longer lead time
 for responses.
- BC Hydro encourages partnerships and joint ventures which assist Aboriginal businesses to respond to procurement
 opportunities in a timely way.
- BC Hydro's business units are interconnected and communication regarding Aboriginal procurement is shared.
- BC Hydro is investing in major capital and facilities projects over the next decade. Within these projects there are many employment and business opportunities for Aboriginals.

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BC Hydro is partnering with provincial bodies such as community colleges to develop skilled workers in the Aboriginal communities.

Manitoba Hydro

Manitoba Hydro is a Crown corporation established under the Manitoba Hydro Act. It is owned by the province of Manitoba. The Manitoba Hydro Act gives Manitoba Hydro control over the province's electricity market. It is the only electricity utility in the province and it is governed by the Manitoba Hydro Electric Board. This Board, which is appointed by the provincial cabinet, reports to the Minister responsible for the Manitoba Hydro Act. Manitoba Hydro owns and operates the Province's generation, transmission and distribution systems. The Manitoba Public Utilities Board regulates retail electricity rates pursuant to the Manitoba Public Utilities Board Act. Manitoba Innovation, Energy and Mines have a mandate to further develop Manitoba's energy Sector, including through involvement in emerging energy technologies such as wind generation. Like SaskPower, Manitoba Hydro is a member of the Midwest Reliability Organization (MRO), and also a member of the Mid-continent Area Power Pool (MAPP), which functions as a generation reserve sharing pool.

Manitoba Hydro is a Crown Corporation and the province's major energy utility, with the head office in downtown Winnipeg. Manitoba Hydro is involved in:

- Exporting electricity to electric utilities through participation in 3 wholesale markets in Canada and the mid-western United States;
- Maintaining a position of being among the lowest cost providers of domestic electricity rates in Canada;
- Serving 537,000 electric customers throughout Manitoba and 265,000 natural gas customers in various communities throughout southern Manitoba;
- Offering a wide range of energy services and programs to customers (ratepayers), either directly or through business interests;
- Nearly all electricity Manitoba Hydro generates is from self-renewing water power from 14 hydroelectric generating stations primarily on the Winnipeg, Saskatchewan, and Nelson rivers;
- Manitoba Hydro is the major distributor of natural gas in the province, delivering natural gas to nearly 100 communities in the province;
- Manitoba Hydro has capital assets-in-service at original cost approaching \$13 billion, making it one of the largest energy utilities in Canada.

Manitoba Hydro is committed to working with Aboriginal communities in a spirit of cooperation. And, Manitoba Hydro's goal is that the workplace should be representative of the communities in Manitoba. Aboriginal people are a growing component of Manitoba's population and Manitoba Hydro's customer base. In 2007–08, Aboriginal employment at Manitoba Hydro was 14 per cent of the overall workforce with 41 per cent making up the northern workforce.

Aboriginal Policy

Strengthening working relationships with Aboriginal peoples is outlined in the key components of Manitoba's Corporate Strategic Plan and related policies, programs and initiatives that guide Manitoba Hydro. Enhancing Aboriginal relationships is integrated into the corporation's top strategic goals.

Other relevant goals from the Corporate Strategic Plan are to:

- have highly skilled, effective, innovative employees and a diverse workforce that reflects the demographics of Manitoba;
- be an outstanding corporate citizen;
- be proactive in protecting the environment and the leading utility in promoting sustainable energy supply and service.



Strategically, Manitoba Hydro aims to:

- resolve and manage ongoing obligations from past development;
- increase employment opportunities at Manitoba Hydro for Aboriginal people;
- continue to enhance training and support programs for Aboriginal employees;
- promote and pursue business relationships with Aboriginal companies.

Manitoba Hydro's corporate strategy includes continuing to address the effects of operations on Aboriginal communities, developing and maintaining business relationships with Aboriginal companies, as well as continuing initiatives to recruit, develop and retain Aboriginal employees.

Corporate strategic targets for 2011-12 include:

- Percentage of impacted Aboriginal communities with a workable management framework 100%
- Percentage Aboriginal employment:
 - > Corporate overall 16%
 - > Northern 45%
 - > Management 6%
 - Professional 8%

Manitoba Hydro has the following policies that promote Aboriginal suppliers and employment:

- Aboriginal Affairs policy
- Employment Equity policy
- Environmental Management policy
- Sustainable Development policy and principles

Aboriginal Relationships and Partnerships

Manitoba Hydro recognizes that viable relationships are fostered in an environment of mutual respect. Manitoba Hydro strives to understand and respect the social and economic views, values, traditions, and aspirations of Aboriginal peoples when deciding upon or taking action. When making business decisions, Manitoba Hydro seriously considers potential infringement on the ability, rights, and interests of Aboriginal peoples to pursue their aspirations.

Manitoba Hydro consults with Aboriginal leaders, local resource users, and regional organizations on a regular basis on issues of mutual interest and concern. One example of community partnerships is the Relationship Task Force with the Manitoba Métis Federation (MMF), which is charged with identifying opportunities for mutual gain aimed at improving the present and future relationships between the organizations. The MMF/Manitoba Hydro Protocol Agreement is a protocol for assessing projects put forward by Manitoba Hydro that impact Métis communities.

Manitoba Hydro recognizes that resolving past grievances is fundamental to strengthening working relationships with Aboriginal communities. A key strategy in the corporate strategic plan is to resolve and manage ongoing obligations from past development. Manitoba Hydro will continue to address the adverse effects of its existing operations on the customs, practices and traditions of Aboriginal people that are integral to their cultural identity. In addition to community-wide settlement agreements, Manitoba Hydro has reached a number of agreements with resource user groups, such as local commercial fishing and trapping associations.

Major Aboriginal Initiative: Wuskwatim Power Generation Station

In 2006, Manitoba Hydro entered into a development agreement with the Nisichawayasihk Cree Nation and four other parties to develop a new power generation station at Wuskwatim Lake. The Wuskwatim Power Generation Station is the first new generation station built in Manitoba in 30 years. The development agreement is complex and sets out the rights and duties



of all parties to the agreement. This initiative started with an agreement in principle in 2001 and took years worth of commitment and effort to finalize. The station will go online in the spring of 2012 and excess power will be shipped to southern Manitoba and out of province. Manitoba Hydro is one of the largest net exporters of power in Canada, and uses net export revenue to keep the cost of power low to provincial ratepayers. The Wuskwatim Lake project will help fulfil Manitoba Hydro's commitment to Aboriginal partnerships, and to meeting the energy needs of a rapidly increasing population base with sustainable hydro-electric energy.

Current Employment Opportunities

Manitoba Hydro lists various opportunities on their website, but not specifically related to procurement and Aboriginal businesses. The opportunities listed focus on training and development with a view to employment. The programs include Aboriginal line trades pre-placement, awards, bursaries and scholarships, northern Aboriginal pre-placement, northern Aboriginal high school internship, southern Aboriginal pre-placement, and summer student opportunities.

Awards, Bursaries and Scholarships

Manitoba Hydro's Educational Funding Program supports the continued education of Manitoba's students by offering awards, bursaries and scholarships to those in high school, college and university enrolled in programs that support operational requirements. For the 2011/12 school year, Manitoba Hydro is offering more than 60 awards, bursaries, and scholarships valued at over \$150,000. Awards include employment equity, youth achievement, engineering, trades, technology and IT, vocational programs and high school student awards.

Aboriginal Procurement Strategy

Aboriginal relations are a very high priority at Manitoba Hydro, and fall under the purview of the Vice President of Corporate Relations, with a senior management position devoted exclusively to Aboriginal relations.

Manitoba Hydro has over twenty years' history of economic cooperation with Aboriginal and northern communities in Manitoba. Most of the generating stations are located in northern Manitoba on crown land and reserve land.

The Manitoba government encourages businesses to follow the Aboriginal Purchasing Initiative and Policy but Manitoba Hydro is not mandated by the provincial government to follow these policies. Also, Manitoba Hydro is exempt from the federal-provincial Agreement on Internal Trade (AIT) by petition to the provincial government, allowing Manitoba Hydro to restrict procurement competition to local and Aboriginal businesses.

Forty years ago, the majority of agreements struck with Aboriginal communities were based on flood rights and flood compensation packages. In the late 1980s, a limestone generating station agreement was signed, giving rise to a northern purchasing policy, which was the predecessor of the Aboriginal relations corporate strategy of today.

One major issue that arises when dealing with northern and Aboriginal businesses is the "premium costs" involved. Premium costs can include extra training, extra management expenses and extra direct costs such as fuel, transportation and maintenance in servicing a contract or project. Manitoba Hydro recognizes the value of incurring these premium costs to increase the experience and capabilities of local employees and businesses. However, Manitoba Hydro must balance the costs with the need to deliver cost-effective energy to all the provincial ratepayers (consumers). Manitoba Hydro can justify a modest premium for and to northern communities on the basis that the communities and the businesses are being nurtured and supported for sustainable local growth and opportunity.

Another more recent issue is business dealings with Aboriginal businesses from other regions and provinces, and associated "premium costs" of doing business with these partners. Since Manitoba Hydro is exempt from the federal-provincial Agreement on Internal Trade (AIT), it can restrict competition to local and Aboriginal businesses in northern communities. However, Manitoba Hydro strives to keep its procurement policy in line with the province. In doing so, Manitoba Hydro must also consider the whole province's ratepayers in awarding contracts, as any contract award must have a return on investment within a certain tolerance. All things being equal, Manitoba Hydro's preference is to do business with local Aboriginal communities and businesses.



Procurement Mechanisms

The percentage spend on Aboriginal and First Nations suppliers vs. total spend on suppliers is a moving target because capital spending varies from year to year, and some of the spend is highly specialized and technical with only a few suppliers meeting the requirements. The challenge is to evaluate each purchase to see if there is merit to sourcing it locally, and to see if the price quoted by the supplier is within a tolerance level given the increase in direct costs such as transportation and fuel. Overall, given the type of spend, the goal is to set reasonable spend targets.

For instance, Manitoba Hydro found it difficult to attract a labour force to the towns of Gillam and Thompson in order to maintain power stations in those towns. Manitoba Hydro started to promote employment in and around the towns with the goal of matching the company demographic to the region's demographic. If the region had a 70% Aboriginal demographic, then the company would attempt to match that demographic in its local hiring practices.

Another great challenge is keeping specialized labour in the local area for jobs that occur periodically, e.g. maintenance that is regular, but only required once every five years. Manitoba Hydro works closely with the Aboriginal Chamber of Commerce in Manitoba, and various Council leaders, in order to attract and cultivate local talent and local businesses to do the kind of work required. Manitoba Hydro also attends and promotes Métis and First Nation trade shows in order to find and attract new suppliers and new ideas.

First Nations, Métis and Inuit suppliers who are looking for contracts with Manitoba Hydro should register as a vendor with the utility and list the products and services they offer. Also, Aboriginal suppliers should self-declare that they are First Nations, Métis, or Inuit owned businesses, as that will be taken into consideration when awarding contracts.

Manitoba Hydro encourages Aboriginal suppliers to contact them about opportunities for providing services and supplies. Manitoba Hydro will share all the information that it can, and look for positive synergy and matches with Aboriginal suppliers. Manitoba Hydro encourages any Aboriginal business to step forward and contact them, and considers itself progressive in its procurement and hiring policies with regards to local, northern, Aboriginal, and minority owned businesses.

Alternately, Aboriginal suppliers may contact the Aboriginal Chamber of Commerce in Manitoba which works with businesses to promote corporate alliances. The Aboriginal Chamber of Commerce in Manitoba was instrumental in establishing the province's Aboriginal procurement policies and initiatives.

Future Projects and Opportunities for Aboriginal Businesses

Initiatives over the next five years include significant new generating and transmission projects. Overall, Manitoba Hydro spends \$1 billion per year on maintenance of existing and new operations, and a good portion of that spend is within Aboriginal and northern communities. Over the next decade, Manitoba Hydro expects to spend \$10 billion in capital growth projects, expanding power production by 50%. In order to meet this aggressive growth target, Manitoba Hydro is committed to establishing and maintaining development partnerships with Aboriginal and northern communities. It is projected that new power plant production will result in much excess power, which will be sold to southern Manitoba and out of province, helping to sustain low power rates for provincial ratepayers and keep continuity in the transmission system by allowing for rapid population growth.

Manitoba is a net exporter of electricity. Transmission lines connect the province to Saskatchewan, Ontario, North Dakota and Minnesota. On average, approximately 30% of the electricity generated in Manitoba is sold to other Canadian provinces or to the U.S. markets. The intertie connections to Saskatchewan and Ontario are of low capacity. The Saskatchewan intertie has a typical capacity of approximately 375 MW. The intertie with Ontario is currently limited to approximately 200 MW, although the two provinces have been exploring the possibilities for the expansion of the transmission links between them. The interconnection through Saskatchewan to Alberta is also constrained, limiting transfers from Manitoba to Alberta, however, export capacity to the U.S. markets is much greater, at approximately 1,850 MW in total. A significant portion of Manitoba's output each year is exported into Minnesota, as the large interconnections provide access to Minneapolis, the closest major population (and thus load) to Manitoba.

A major initiative in the next five years is to bring the Keeyask Hydroelectric project online. In May 2009, a major hydroelectric project deal was signed between Manitoba Hydro and four Manitoba First Nations – Tataskweyak, York Factory, Fox Lake and War Lake, known collectively as the Keeyask Cree Nations. The Joint Keeyask Development Agreement (JKDA) establishes a partnership between Manitoba Hydro and the Keeyask Cree Nations. Both partners will manage the entire project from the construction of the generating station to its operation, however, the signing of the project deal does not guarantee the station



will be built, as the project still has to be approved and regulatory licences obtained. Once the go-ahead is given, the Keeyask Generating Station will be built 725 km northeast of Winnipeg on the lower Nelson River. According to Manitoba Hydro, it will be the fourth largest of the current generating stations, with a nominal capacity of 695 megawatts.

The project will provide numerous employment opportunities in a variety of Sectors for the communities involved. With the possibility of owning up to 25% of the equity of the partnership, the JKDA will benefit all parties involved through future economic development opportunities, training and learning opportunities. The Keeyask Generating Station is expected to be completed as early as 2017. Manitoba Hydro is committed to building power generating stations that last a long time and are sustainable.

New and Ongoing Local Initiatives

While the development partnerships with Aboriginal communities are large initiatives, many of the ongoing initiatives are local. Manitoba Hydro employs staff living and working within the northern communities to cultivate local employment and businesses, and much of the work is done at this grass roots level. Local initiatives include improving fuel transportation and handling in four remote communities. Manitoba Hydro works with these communities to plan, transport and handle diesel fuel to run generators, as these communities are not on the North American electrical grid. Manitoba Hydro has training programs in place for fuel handling, and a certain dollar amount for every litre of fuel is put aside for community development.

While there may be opportunities to place off grid communities on the electrical grid, Manitoba Hydro must balance the requirements of the whole province and all the ratepayers. In the four communities mentioned above, there are extreme economic challenges in placing these communities on the grid. Nevertheless, they are putting effort into the research and development of alternate energy such as micro-turbines, and planning to have a small wind energy project active in one of the communities in the near future.

When working with non-Aboriginal contractors, especially in northern areas, Manitoba Hydro often requires the contractors to hire locally. In many contracts, depending on the type of expertise required, there will be an express provision for Aboriginal hiring. Whether or not there is a strict provision for hiring in a contract, it is Manitoba Hydro's policy to encourage local hiring, and to discuss this thoroughly with contractors.

As mentioned before, Manitoba Hydro works closely with the Chamber of Commerce in Manitoba to identify and promote Aboriginal suppliers and new ventures.



Highlights of Best Practices / Key Findings

- Manitoba Hydro has an Aboriginal affairs policy, an employment equity policy, an environmental management policy, and sustainable development policy and principles.
- Manitoba Hydro's corporate objectives are to resolve and manage ongoing obligations from past development, increase employment opportunities for Aboriginal people, enhance training and support programs for Aboriginal employees, and promote and pursue business relationships with Aboriginal companies.
- As Manitoba Hydro is a crown corporation, there are no provisions for management bonuses or incentives tied to Aboriginal or minority hiring or procurement initiatives.
- Manitoba Hydro is committed to partnerships with First Nations, Métis and Inuit communities, as they have demonstrated by signing major development and partnership agreements, and fostering community involvement.
- Manitoba Hydro maintains a list of Aboriginal suppliers, and looks for positive synergy and matches with Aboriginal suppliers in an effort to build Aboriginal supplier capacity.
- Manitoba Hydro's policy to encourage local hiring, especially in northern communities, and to discuss this thoroughly with contractors.
- Manitoba Hydro is committed to ongoing community consultation, and to involve all Aboriginal and northern
 communities in power generation and transportation, as much of its power generation and corporate sustainability relies
 on resources in the north and on territorial lands.
- Manitoba Hydro is exempt from the federal-provincial Agreement on Internal Trade (AIT) by petition to the provincial government, allowing Manitoba Hydro to restrict procurement competition to local and Aboriginal businesses.

Wind and Alternative Energy Initiatives

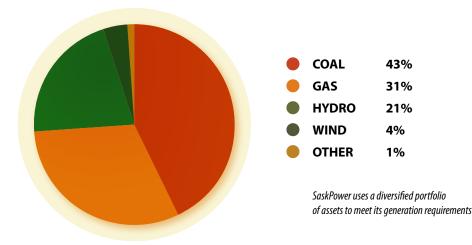
- Manitoba Hydro power generation is nearly all self-renewing waterpower with almost 98 per cent of the electricity being
 produced by the hydroelectric generating stations on the Winnipeg, Saskatchewan, Laurie, and Nelson rivers.
- Since the early 1990s, Manitoba Hydro has been assessing the feasibility of adding wind power to their portfolio of energy supplies. Through the St. Joseph and St. Leon wind farms, along with community-owned small wind projects, Manitoba Hydro continues to explore alternative energy supplies, and promote them to the ratepayers (consumers). These would include clean renewable resources such as wind, hydro, bioenergy, and geothermal heat pumps under the Earth Power Program, which provides financing and incentives for geothermal installations.



SaskPower

SaskPower is a provincial crown corporation, and owns the generation, transmission and distribution facilities in the province. It operates under the Power Corporation Act. SaskPower's board of directors answers to the responsible Minister of the government. Reviews of SaskPower's rates are undertaken at the request of the Minister of Crown Management Board and conducted by the Saskatchewan Rate Review Panel. The Panel's decisions with respect to rates must be approved by Cabinet. Like Manitoba Hydro, Saskpower is a member of the Midwest Reliability Organization ("MRO"), which is a Regional Reliability Council within the North American Reliability Counsel.

SaskPower is a Crown corporation, reporting to the Government of Saskatchewan. The company has over 2,700 full time employees located in 71 communities, and serves over 473,000 customers. SaskPower manages \$5.3 billion in generation, transmission and distribution assets. SaskPower operates three coal-fired power stations, seven hydroelectric stations, seven natural gas stations, and two wind facilities. Combined, they generate 3,600 megawatts (MW) of electricity.⁹



2010 Available Generating Capacity - 3,982 MW

In 2010, SaskPower contributed over \$1 billion to the provincial economy: through the procurement of goods and services from Saskatchewan suppliers; the payment of wages and benefits to employees; the purchase of coal; and the acquisition of electricity from Independent Power Producers. Thirty-nine percent of SaskPower's workforce belongs to one of four equity groups, which includes Aboriginal people, visible minority persons, persons with disabilities, women in under-represented occupations. In 2009, 6.8% of this workforce was Aboriginal. SaskPower recognize that the Aboriginal population is the fastest growing demographic in Saskatchewan (estimated to be 25% by 2030), thereby representing a source of future employees.

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Aboriginal Policy

The role of Aboriginal Relations at SaskPower is to develop mutually beneficial business relationships with Aboriginal communities, support economic development in the north, and promote communication in response to social, economic and environmental issues of shared concern to Aboriginal communities and SaskPower.

SaskPower maintains an Aboriginal Relations department. Right now, it is a 4-person department: Department Head, 2 assistants, and one graduate intern. Over the coming year, they have committed to hiring 2 additional mid-level staff members.

The current head of the department has been with the company for close to 3 years. For the 15 years prior to this position, he worked as a 3rd party manager/negotiator for a First Nations company and spent quite a bit of time in the First Nations communities. His forward thinking strategies, and goals, are intended to bring long term, sustainable, economic growth to the Aboriginal businesses, people, and communities. The belief is that this can best be achieved through electricity generating partnerships. This can be achieved through long term planning and relationship building. For example, the Manager of Aboriginal Relations spends a great deal of time in the field meeting with First Nations – their communities, their businesses, and their people.

SaskPower contribute approximately \$1.5 million annually to support non-profit organizations across the province through their Corporate Contributions Program. The focus of these dollars is on education, environment, and community involvement, and on initiatives that include Aboriginal people, visible minority persons, persons with disabilities, and women in under-represented occupations.

While these contributions fund and support hundreds of events, activities and initiatives every year, there are few dollars that are directed on an ongoing basis to developing Aboriginal relationships — whether it is through First Nations community development, scholarship funds, on the job/intern training, etc. This is something that the Aboriginal Relations department would like to see happening going forward.

According to its 2010 SaskPower Annual Report however, SaskPower does employ a full-time Aboriginal Sourcing Consultant, whose job description includes targeting post secondary institutions such as First Nation University of Canada, as a source for future company employees.

Here is an example of two of the projects that SaskPower do sponsor, on an ongoing basis:

Northern Reading Program

SaskPower partner with the Pahkisimon Nuye-ah Library System to improve literacy and share the enjoyment of reading, writing and working with numbers.

Saskatchewan First Nations Summer Games and Winter Games

SaskPower are the sponsors of The Saskatchewan First Nations Summer and Winter Games, hosted under the auspices of the Federation of Saskatchewan Indian Nations. These games are held every two years, alternating between winter and summer games.



Aboriginal Procurement Strategy

It is the Purchasing Department's responsibility for implementing corporate procurement policies and procedures for SaskPower. Their two key objectives are:

- 1. To procure goods and services at the lowest possible cost while maintaining quality, delivery, service, Saskatchewan content and any other relevant criteria.
- 2. To conduct all purchasing functions and activities in such a manner that community, public, and vendor relationships are maintained while applying professional business standards.

As of Jan. 31st, 2012, SaskPower do not have an "official" Aboriginal Procurement Policy in place. Their current, yet unpublished, general procurement strategy does have a clause that states that when it comes to the procurement of an Aboriginal business, the project manager has some discretion to make a business decision outside of current strategy. They are in a position to over-ride this strategy based upon Aboriginal business development and Aboriginal community relations.

However, a procurement policy, originally drafted in 2005, has recently been brought forth and tabled once again. With updates taken into consideration, the expectation is to have this policy take effect by June 30th, 2012. The long term intent of this policy will be to create sustainable economic growth for the Aboriginal people and communities.

SaskPower have always had a long-standing commitment to engage local services, sourcing as many services and products from within their own province. They estimate that they purchase 80% of their annual goods and services locally. In 2011, this meant more than \$300 million dollars to Saskatchewan businesses. SaskPower are also members of the Electric Utility Quality Committee (EUQC), which includes reps from the electricity and renewables sector who are committed to increasing quality awareness and the promotion of local suppliers to other members throughout Canada.

Procurement Mechanisms

SaskPower list their RFPs, RFQs, RFTs, and RFIs (Requests for Proposals, Requests for Quotations, Requests for Tenders, and Requests for Information) on their website. (On January 31st, 2012, there were 11 RFTs, 18 RFPs, and 1 RFI listed). RFPs, RFTs, and RFIs are also listed on the Merx website — www.merx.com . (MERX is separate from SaskPower, and is an online electronic tendering service that provides vendors with a comprehensive source of public and private Sector tenders in Canada. MERX provides an easy, quick, and centralized location to view tender opportunities and access the associated documentation.)

On July 1st, 2012, when the NewWest Partnership Agreement comes into full effect, SaskPower will be obligated to post their RFPs, RFTs, and RFIs, on the SaskTenders site (http://www.sasktenders.gov.sk.ca/content/public/index.aspx – a Government of Saskatchewan site that lists procurement opportunities).¹⁰ However, vendors still wishing to submit a bid will still need to visit Merx in order to download documents for bidding.

If an Aboriginal business is having trouble completing the application process, SaskPower will help them with this application (they will help with the application process, yet this does guarantee any award being offered). To find out about new opportunities, vendors also have the option of subscribing to SaskPower's RSS (streaming information feed over the Internet) in order to receive these tender opportunities as they're listed.

¹⁰ Three provinces have signed into a new agreement that will create Canada's largest interprovincial barrier-free trade and investment market and working together in unprecedented ways to the benefit of workers, businesses and investors in all three provinces. (Sask Government web site)



SaskPower's Open RFPs, RFTs, And RFIs

All procurement opportunity documents must be downloaded through the merx.com website. These documents must be filled in on-line via merx only. These bids are then filtered directly back to SaskPower for review. SaskPower no longer accept hard copy documents. It must all be done on-line.

SaskPower use a closed tendering process, meaning that bidders cannot attend tender openings. They do not disclose information on the names or numbers of companies submitting bids, or on competing vendor pricing contained in a tender or request for proposal bid submission.

There are a number of criteria a vendor must meet to be awarded a contract. "Price" is quoted as being a prime consideration for SaskPower's final decision. A successful bidder is notified via a fax notice and/or purchasing order.

Saskpower's Preferred Supplier List

SaskPower maintains a pre-approved supplier list. Before bidding, all companies must register as a vendor with SaskPower since SaskPower must first pre-qualify a business.

SaskPower do not currently have an Aboriginal-only supplier list. The company is currently indifferent – i.e.: All vendors are on one list, and this list is for SaskPower's internal use only. Aboriginal companies are not currently identified on this list (although the applications DO request that an Aboriginal company identify itself).

Going forward, it has been approved by the board at SaskPower to include Aboriginal identification on this vendor list. They will also backtrack to include this information for vendors currently in their system.

Developing Long term Supplier Relationships With Aboriginal Suppliers

One key observation from the head of Aboriginal Relations at SaskPower is the need for a Supervisor of Aboriginal Business Development. This is a position that the Aboriginal Relations department feels is integral to the growth of Aboriginal Relations. This Supervisor would not just "help" the Aboriginal businesses with their vendor registration; they would also work to enhance opportunities with these businesses. For example, a few years back, a local Métis company from Prince Albert became a preferred vendor in the transmission area. This company was identified as one that was exceptionally well run, and reliable – and could branch out to do work well beyond the boundaries of Prince Albert. As a result of this identification, this Aboriginal company applied for, and was awarded, a \$4 million multi-year agreement with SaskPower.

The Aboriginal Relations department of SaskPower believes there could be 50 to 100 other companies with the opportunity to grow, providing SaskPower fosters this initiative. A goal of the Aboriginal Relations Department is to become more pro-active in this area of procurement, and flesh out these growth companies.

An observer of what works/what doesn't work at other Hydro companies across the country, SaskPower noted how BC Hydro's Customer Care and Aboriginal Relations groups teamed up to create the new Key Account Management Aboriginal Sector (i.e. KAM's). KAM's initiated customer engagement activities, conservation communication objectives, and established 'Power Smart' partner agreements with participating First Nations. It is SaskPower's goal to model BC Hydro's Smart Power initiative with their own Advanced Metering Infrastructure (AMI) project.

SaskPower is preparing to install approximately 500,000 advanced meters, at a cost of approximately \$190 million, which will pay for itself within 13 years.

This means going into Aboriginal communities, educating the community on the value of AMI and how to conserve energy, and installing AMI units in their buildings/homes. SaskPower intends to have the installers involved in this project be comprised of at least 40% First Nations people. SaskPower expect to get this project off the ground by the beginning of 2013, and it will take just over a year to complete the installation to the entire province.

The installation of these meters is just one of SaskPower's initiatives to renew and prepare the province's electrical infrastructure for the future. Without moving parts, they are not subject to the same sort of wear as traditional mechanical meters, and they are accurate to within 0.5% of actual usage.



Future Projects and Opportunities for Aboriginal Businesses

SaskPower is making multi-year investments in their electricity system to make sure the necessary infrastructure is in place to meet the province's growing power needs. SaskPower's short term plan (2010-2015) addresses Saskatchewan's immediate energy needs, and is designed to maintain the current electricity supply, increase power, and set up their 2016 – 2023 plan.

"Of high importance is the pursuit of partnering with neighbouring power utilities, and encouraging small-scale power production using renewable energy sources such as wind and biomass" *SaskPower*

The two main reasons SaskPower is facing a requirement for new electricity generation sources are load growth and aging infrastructure. From 2000 to 2008, electrical demand in Saskatchewan increased steadily at about 1.3 per cent each year. Due to increased economic activity in the province, electricity demand has grown above long term averages. From 2009 to 2019, this electrical demand is expected to increase 2-4 per cent per year. A large portion of SaskPower's existing generating assets will need to be retired or refurbished in the 2013 to 2030 timeframe.

In order to ensure reliable, sustainable and affordable energy, SaskPower is looking at alternative power generation technologies and innovative conservation programs that will allow them to keep pace with the province. SaskPower is also pursuing new business models, including private ownership of generating facilities, to provide the electrical infrastructure required for Saskatchewan. Therefore, opportunities for private Sector involvement are currently available in both peaking and baseload generation.

An example, following a competitive bidding process, which began in the fall of 2008, SaskPower chose Northland Power Inc., a leading Independent Power Producer based in Toronto, to provide 261 megawatts of power to the provincial electrical grid in 2013. The natural gas-fired facility is located in the North Battleford area. This \$700 million project commenced in June, 2010 (note: this \$700 million is Northland's risk). SaskPower invested in a 20-year power purchase agreement.

Many Saskatchewan First Nations are looking to develop their own economic development through power generation and ownership. This is where the First Nations Power Authority (FNPA) comes into play. One objective of this company is to streamline the process for all First Nations power producers. The FNPA's mandate is to work on behalf of the First Nations to help move electricity projects forward for consideration with SaskPower, by doing all of the research prior to presentation; ensuring only ROI projects hit the radar at SaskPower.

In March of 2011, SaskPower, the Government of Saskatchewan and the FNPA signed a Memorandum of Understanding for the FNPA to be the First Nations main point of contact. This has already resulted in a joint venture project between SaskPower and the Meadow Lake Tribal Council. This is a biomass project which will use wood byproducts from a nearby mill to generate up to 36 megawatts of renewable, low emissions power. This project is expected to be in service by the end of 2014.

Another major partnership opportunity involves wind power generation. SaskPower's 'Green Options Plan' was a competitive solicitation to add 175 megawatts (MW) of wind power to the SaskPower electric system by Independent Power Producers (IPPs). In late 2009, a Request for Qualification (RFQ) was issued by SaskPower seeking IPPs interested in participating in the Green Options Plan. The RFQ process closed on March 12, 2010.

Twenty-one (21) registered companies were qualified to participate in the next phase of the solicitation, which was the opportunity to respond to a Request for Proposals (RFP), provided in September 2010. These registered companies submitted 27 unique project sites representing approximately 4,325 MW of wind power capacity. The successful project(s) will consist of either one 175 MW wind farm or two 87.5 MW wind farms. SaskPower is currently conducting studies to estimate the costs to interconnect to the SaskPower system, and expect the final projects selected through their Green Options Plan to be in service between 2013 and 2015, depending on the extent of the transmission reinforcement that is required to interconnect the wind farms.



Future Projects

Leading the list of key projects, is the highly regarded, high-profile, and highly anticipated carbon capture initiative. SaskPower is leading the development of one of the world's first and largest integrated carbon capture and storage demonstration projects at Boundary Dam Power Station in Estevan, Saskatchewan. This is an excellent example of Saskatchewan and Canada's leadership in addressing the global challenge of climate change, and is the result of our intensive research into emissions-reduction technology in recent years.

Boundary Dam Integrated Carbon Capture And Storage Demonstration Project

This project will transform a coal fired generation unit (Unit 3) at Boundary Dam Power Station into a reliable, long term producer of 100 MW of clean base-loaded electricity, while enhancing provincial oil production and reducing greenhouse gas emissions by capturing one-million tonnes of carbon dioxide per year.

Cost:This is \$1.4 billion government industry partnership between the Government of Canada,
Government of Saskatchewan, SaskPower, and private industry.

Start date: 2014, Completion: 2021

This leading edge project will determine the technical, economic and environmental performance of carbon capture and storage technology.

Island Falls To Key Lake Transmission Line

Location:	Island Falls, near Sandy Bay, extending north to Hwy 914/Wheeler River
Project Overview:	Building of a new 230 kV transmission line to meet growing need for power in northern Sask. Total length of the new line is 300km. Existing power line is old/unreliable. New line will run alongside older line.
Start date:	Construction to commence July 2012, Completion: December 2014

Consultation is ongoing with First Nations and Métis groups, landowners and other affected stakeholders to make sure they are aware of the plans and can express any concerns

Saskatoon North And East Reinforcement Projects

Location:	Saskatoon
Project Overview:	To help meet the growing need for electricity in Saskatoon and for new industrial potash development in the Wolverine area. Existing transmission lines need reinforcement, and alternate power supply is required for growing Municipality.
Start date:	Engineering design currently underway. Construction to commence January 2013.
Completion:	December 2013

Transcanada Corporation Piapot And Grassy Creek Transmission Line

Location:	Swift Current to Piapot; to Grassy Creek
Project Overview:	TransCanada Corp. require a 230kV transmission line to it Piapot site, and a 38KV line to provide service to its Grassy Creek site.
Start date:	Planning continues; Construction will start in August 2013.
Completion:	April 2014



Poplar River Power Station Ash Lagoon Expansion

Location:	Poplar River
Project Overview:	Creation of 2 additional lagoons to store ash from burned coal.
Start date:	Phase 1 complete. Phase 2: 2016; Phase 3: 2020
Completion:	Phase 1 2017; Phase 2: 2021

Transmission Lines

Project Overview:	Upgrading and expanding transmission lines to maintain reliable service, to comply with
	North American regulatory standards, and to meet the growing energy needs of Saskatchewan.

Rural Electrical Distribution Program

Project Overview: Improved productivity on the farms. SaskPower is planning to rebuild existing overhead rural electrical distribution system. During the rebuild, existing overhead lines in agricultural fields will be moved and replaced with lines in road allowances.

Highlights of Best Practices / Key Findings

- SaskPower shows strategic commitment to Aboriginal inclusion, employment and procurement, and is currently developing a comprehensive Aboriginal policy.
- SaskPower recognizes that Aboriginal people comprise a significant minority in the province (and one that's fast growing), and considers Aboriginal people a disadvantaged group to which it applies equity provisions.
- SaskPower has an Aboriginal relations department. The head of the department has spent many years as a third party manager and negotiator in Aboriginal communities.
- SaskPower has a history and mandate of sourcing locally, estimating that they purchase 80% of their annual goods and services in the province.
- SaskPower allows potential vendors to identify themselves as Aboriginal suppliers on vendor applications and requests, but does not currently track these. Once an Aboriginal policy is in place, SaskPower will begin to track Aboriginal suppliers.
- SaskPower plans to increase staff in the Aboriginal relations department who will identify and match business opportunities with Aboriginal suppliers. Currently, SaskPower goes into Aboriginal communities to promote employment and business opportunities.
- SaskPower is committed to finding and developing Independent Power Producers (IPPs) such as the First Nations Power Authority.
- SaskPower employs an Aboriginal sourcing consultant, whose job description includes targeting post secondary institutions, such as First Nations University of Canada, as a source for future employees. And, SaskPower supports a variety of literacy and skills building educational initiatives in Aboriginal communities.



First Nations Power Authority

Saskatchewan

While the First Nations Power Authority (FNPA) is not an actual electricity company, they are a third party whose goal is to facilitate numerous power generating deals with SaskPower on behalf of the First Nations businesses in Saskatchewan. They are a new company.

Number of Employees:

4 - Executive Director, Administrator, 2 Analysts

Board Members:

There are currently 5 'Interim' Board members, plus the FNPA Executive Director. The reason for this 'Interim' state is due to the fact that an election has not yet been called. Once the contract with SaskPower is finalized (imminent), then a Membership drive will commence, and an election held. For the time being, the FNPA is working with potential Board members.

Organization

The First Nations Power Authority was established in March 2011. It is a not-for-profit, member-based organization. In March of 2011, The Government of Saskatchewan, SaskPower, and the FNPA signed a Memorandum of Understanding (MOU) intended to help the province's First Nations advance their power generation projects. Under this MOU, each of the 74 Saskatchewan First Nations will have the opportunity to hold membership, and to participate in the governance of the organization. Many Saskatchewan First Nations are looking to develop their own economic development through power generation and ownership, and the FNPA has been established to streamline this process for all First Nations power producers in order to assist in moving projects forward for consideration.

As the Saskatchewan population grows, SaskPower is proactively seeking out independent power producers to partner with in the generation of electrical power. This alliance is a great opportunity for the small and medium Aboriginal businesses in Saskatchewan to have a stronger voice in moving ideas and business forward. This alliance is also a great opportunity to have the smaller Aboriginal businesses involved from a service and supplies standpoint. It is a way to involve the communities, and create sustainable economic growth.

Organizational Policy

In 2009, the Honourable Bill Boyd, Minister of Energy and Resources, noticed a revolving door at his office, whereby many Aboriginal businesses were professing that their ideas for energy generation were not being addressed by SaskPower. Mr. Boyd had the idea to consolidate these ideas for energy generation by the First Nations businesses.

At first, the Meadow Lake Tribal Council/MLTC, was put in place as this intermediary, and they immediately recognized the opportunity of this. This would be one place, a depot of sorts, where the First Nations businesses could bring their concepts and where they could be professionally addressed and, if feasible, brought forth to SaskPower. MLTC carried this responsibility for a while, yet since the MLTC had vested interests of their own, the formation of the First Nations Power Authority became the inevitable solution.

Currently, in their first year of operation, the FNPA are in a bit of a 'holding pattern'. The reason for this is because their 'Master Contract' with SaskPower is still in negotiation. Once their agreement is formalized and signed, they can move forward with their vision.



Moving forward to today

The FNPA consider themselves to be the "procurement pathway" of the future. The way for viable energy generating concepts, developed by First Nations businesses, to be brought to the boardrooms of SaskPower.

Although the FNPA may be waiting for the master contract to be finalized, they are proceeding their vision. They continue to review energy generating concepts that have been brought forth by First Nations businesses. Their mandate is to review these ideas, research and analyze them, and ensure that they are commercially viable — to ensure that there is a solid return on investment. The FNPA will engage in a consultative back and forth with their client (the idea generator/First Nations business), engage in research and analysis, before a proposal is put on paper. They need to be sure that the First Nations business that they are representing is given the best opportunity possible for success.

The FNPA assumes the role of Facilitators, and once their current outstanding contract with SaskPower is signed, they know that they will definitely become a vital and strategic member of SaskPower's energy supply plan. They will represent the 'idea pool' – the companies that will bring an inevitable 'clean' power source to the people of Saskatchewan.

FNPA's goals are crystallized as follows:

- 1. To bring sustainable economic growth to Aboriginal businesses and their communities through the many opportunities that these new businesses present (to have First Nations communities thrive and prosper outside of Government funding).
- To communicate openly and with honesty and transparency on all points of engagement
- 3. To bring "optimized" projects back to SaskPower
- 4. To create long term plans, that include time for education and training for the potential new positions for labour that is required to launch the proposed concepts

Procurement Strategy

To reiterate, the FNPA created a "Procurement Pathway". Its mandate is to facilitate the procurement of power generation from First Nations-led independent power projects to SaskPower, through a well defined, mutually beneficial, long-term agreement.

As the FNPA continues to develop, the long term thinking by their board is to expand their base outside of the Electricity/Power Generation Sector, and to include representation from the finance and engineering Sectors. Growth is their mandate, thereby opening up future business opportunities for Aboriginal based businesses.

While their mandate is First Nations led, non First Nation entities are welcome to partner with a First Nation to develop a viable power generation project. The location and type of generation is important when considering which First Nation to approach and under what commercial arrangement. FNPA will provide information and support to groups entering into discussions with First Nations and will work towards developing a process to assist in the development of relationships between all Aboriginal people of Saskatchewan and SaskPower.

Since so many of the power project developments occur in remote lands and First Nations lands, by working with power developers, First Nations can create long term sustainable value for their members through employment, infrastructure, new business opportunities, and genuine profit-sharing. For example, while the core purpose may be to get the project approved and constructed, they understand that there is growth in secondary areas such as: lunch counter/camp service, logging, line trimming, etc. There is also the opportunity for on-the-job training, and for developing projects, the potential 'time frame' for skills training from start/planning to completion, the average time span to develop a new energy generating source is 12 years.

Project financing is the sole responsibility of the power developer. A fund may be available in the future that would allow First Nations to access early-stage development funding to study and advance their projects. In the meantime, there could be outside funding available and the FNPA will help to research those grants.

Initially, FNPA will work with SaskPower to establish a framework that will represent a legally binding commitment by SaskPower to procure a set amount of power from First Nations-led independent power producers within a specified time period.

Once this framework is developed, FNPA will serve as an intermediary between SaskPower and the First Nations-led power producers by providing current strategic procurement requirements and assisting in negotiations between SaskPower and First Nations towards establishing a power purchase agreement (PPA). This PPA is then bankable. The average PPA is 20 – 25 years, and while the margins aren't always large, they are stable.



Answers to Some Important Questions

Will it be mandatory for first nations to go through FNPA in order to get their projects to Saskpower?

The FNPA would like to keep this voluntary. First Nations can go outside of FNPA with their project proposals. It is the FNPA's goal to build trust, thereby building the assumption that their chances of obtaining approvals to projects will go better with FNPA representing their project. The FNPA's goal is to create value for First Nations, so that the First Nations want to be a part of this FNPA initiative.

Does the FNPA represent either deregulation or privatization of Saskatchewan's power industry?

The SaskPower Act of Saskatchewan will remain fully intact and enforceable under this power arrangement with SaskPower remaining as the provincial crown corporation and utility company. Procurement of power through FNPA will be similar to the procurement of independent power projects currently contracted by SaskPower across the province today and projects will continue to be subject to technical, environmental and economic scrutiny by SaskPower.

Procurement Mechanisms

After only a few short months in existence, the FNPA announced its first power project. In October 2011 the FNPA announced that they would begin their work on a \$150 million, 36-megawatt renewable power generation facility – The Meadow Lake Bioenergy Center, located in northern Saskatchewan. This is a biomass project, using renewable organic material to generate energy.

The Meadow Lake Bioenergy Center will operate alongside the NorSask Forest Products sawmill to redirect the mill's fibre waste products from a beehive burner to a state-of-the-art renewable, low emission power generation plant. In addition to adding more renewable electricity to the province's power system, it will create an estimated 300 new jobs in the Meadow Lake Region, including 25 permanent jobs at the facility. The project is scheduled to be in service by early 2014.

The Meadow Lake Tribal Council Chief, Eric Sylvestre, has said, 'wood from the trees has sustained his people for thousands of years. The same substance is now providing jobs for young First Nation residents', citing that this project 'mirrors' the values of the Meadow Lake First Nation.

This is a huge step and shows how true partnerships can work. The key to this success was the streamlining of many ideas and resources through the one unit – the FNPA. The First Nations Power Authority is a great example of partnership at work creating success for First Nations.

Future Projects and Opportunities for Aboriginal Businesses

It is the FNPA's aim that within 5 years, they will have a pipeline of projects on the go.

- That there will be active members, projects, and much lobbying of SaskPower
- That the FNPA will be continually bringing value to First Nations; and education practices re: technologies, best practices. There will be competitive knowledge to share.

FNPA would like to see:

- 2 3 Active Project
- 2 3 Projects in approval process
- 2 3 Projects in positive planning stages



Highlights of Best Practices / Key Findings

- FNPA was formed by the Province of Saskatchewan, in 2011, in response to Aboriginal communities and businesses wanting to generate and distribute power within the communities.
- The mandate of the FNPA is to facilitate the procurement of power generation from First Nations IPPs to SaskPower through a well defined, mutually beneficial long term agreement.
- FNPA and SaskPower are negotiating a master agreement which will allow the FNPA to act as intermediary for new energy generation projects within Aboriginal communities. Currently, the Meadow Lake Tribal Council acts as this intermediary.
- The FNPA is Aboriginal based and Aboriginal owned. As such, the whole organization is committed to Aboriginal procurement.
- Since the FNPA is a new organization, long term thinking is needed to ensure that power generation capacity grows in Saskatchewan, and that this is aligned with building Aboriginal community economic well being.
- In 2012, FNPA anticipates the completion of the master agreement with SaskPower. It also anticipates electing a board of directors, and acquiring new community partners and projects.
- Recently, the FNPA announced a biomass project in conjunction with NorSask Forest Products to build a renewable power generation facility (The Meadow Lake Bioenergy Centre) to recycle fibre waste from the sawmill.

Northwest Territories Power Corporation

The population of the Northwest Territories is 43,485, according to census data from 2011. Aboriginal people comprise over 48% of this population, specifically, 9% Métis, 28% Dene, and 11% Inuit of Inuvialuit. Since, on average, Aboriginal people comprise just under 4% of the Canadian population overall, NWT stands out with Aboriginals being almost half of the population. And, the Aboriginal population in NWT continues to grow (by 32% since 1981), and is much younger, on average, than the general Canadian population. This dynamic suggests tremendous opportunity and growth for the region.

The Northwest Territories comprise the third largest area of all of Canada's provinces and territories, with more than 1.1 million square kilometers. Due to the remote nature of this small population, with a significant portion being Aboriginal, and the sheer landmass of the territory, the Northwest Territories, and the Northwest Territories Power Corporation do not share many of the same characteristics as most of the other case studies in this report.

In 2008, the Northwest Territories Power Corporation (NTPC) celebrated their 20th Anniversary as a wholly owned Crown corporation of the Government of the Northwest Territories. The Corporation serves approximately 8,800 customers directly.

One year prior, in 2007, NTPC went through a corporate restructuring. The Government of the Northwest Territories passed the NWT Hydro Corporation Act, creating a new parent company - The Northwest Territories Hydro Corporation (NT Hydro). This new company was created to facilitate the development of hydro on an unregulated basis, while still protecting the investment in the Northwest Territories Power Corporation.

This new structure now included NTPC as one of three NT Hydro subsidiaries. Former subsidiaries of NTPC became 'sister companies' of NTPC, as follows:

- 1. The Northwest Territories Power Corporation (NTPC)
- 2. The Northwest Territories Energy Corporation (03) Ltd. (NTEC 03)
- 3. Sahdae Energy Ltd. (Sahdae)

There is no other utility in Canada that deals with the same geographic and climatic challenges that face NTPC on an ongoing basis.

NTPC generates, transmits, and distributes power, operating 28 separate power systems across 1.1 million square kilometres. Due to the small population spread out across many small communities, it would not be economically feasible to run a connecting transmission grid throughout this area; thus leading NTPC to operate 28 separate power systems.

NTPC generates power for each community in the most economical way possible. The Great Slave regions receive power via hydroelectricity from hydroelectric plants on the Snare and Taltson Rivers, and Bluefish Lake. Electricity is generated via gas engines in the Inuvik and Norman Wells areas. Other communities rely on diesel generators.

With a focus on clean, renewable energy, NTPC have reduced diesel consumption by 75% and cut greenhouse gas emissions by over 50% over the past 20 years. While the overall reduction is still below the Kyoto goal of 6%, NTPC remains committed to continued operations that will further reduce GHG emission levels. The Canadian Greenhouse Gas Challenge Registry (a non-profit organization that challenges Canadian business and government to voluntarily limit and reduce GHG emissions) has awarded NTPC Gold Champion Level Reporting status since 1999.

Today, over 79% of all energy sold to customers comes from hydro electricity. The head office of the Northwest Territories Power Corporation is in Hay River (population 3,600), with branch offices located in Yellowknife, Inuvik, Fort Simpson, and Fort Smith.



NTPC VISION:

To be regarded as an exceptional utility, up to the challenge of delivering safe, reliable and fair-priced power through a territory-wide system that is efficient and sustainable.

NTPC MISSION:

Meet the electricity needs of the Northwest Territories, today and tomorrow, by generating and distributing reliable power across Canada's most challenging operating environment.

NTPC VALUES:

In achieving the Corporation's Vision and Mission, NTPC will endeavour to:

- communicate in an open and timely manner
- be cost effective in the utilization of all resources, always remembering that we are spending the customer's money;
- be responsive to our customers and their changing needs;
- act ethically and honestly treating employees, customers and others with fairness, dignity and respect;
- commit to the safety of our employees and the public;
- respect and protect the environment in all our activities to ensure a sustainable environment for the NWT; and
- strive to increase shareholder value in the long-term.

Policy and Legislation

With an Aboriginal population that exceeds 48%, the Northwest Territories Power Corporation does not have a formal Aboriginal relations or procurement policy. NTPC does have Affirmative Action Eligibility Criteria, giving employment priority considerations to eligible designated groups that are under-represented within the Public Service, under the Government of the Northwest Territories Affirmative Action Program.

The Affirmative Action Eligibility Criteria is as follows:¹¹

- Indigenous Aboriginal Person: Any Dene, Métis or Inuit person who was born in the NWT (defined by its present boundaries). An indigenous Aboriginal person is also any Canadian aboriginal person who has lived more than half their life in the NWT, or who is the descendant of an aboriginal person born in the NWT.
- Indigenous Non-Aboriginal Persons: Non-Aboriginal persons born in the NWT or who have lived more than half their lives in the NWT.
- Resident Women: Women who have lived in the NWT for at least one year before their application and who now reside in the NWT.
- **Resident Disabled Persons:** Persons who have lived in the NWT for at least one year before their application and who are at a disadvantage because of a medically certified learning, mental, emotional or physical disability.

The merit principle applies among designated groups. The first three designated groups have priority status on all competitions. Resident women have priority status on competitions for management and non-traditional jobs.

¹¹ http://www.hr.gov.nt.ca/employment/affirmativeaction/

Application of the Affirmative Action Policy is as follows:

Hiring preference depends on the type of competition and has the following priorities:

- Competitions for Management or Non-Traditional Occupations:
- Indigenous Aboriginal Persons
- Resident Women
- Indigenous Non-Aboriginal Persons or Resident Disabled Persons
- All other applicants

All Other Competitions:

- Indigenous Aboriginal Persons
- Indigenous Non-Aboriginal Persons or Resident Disabled Persons
- All other applicants

Community Relations

The Northwest Territories Power Corporation is committed to the principles of corporate social responsibility and good corporate citizenship.

They maintain that in the north you can't do anything without community support, and they are proud to give back to the community.

The Corporation attempts to reach as many customers as possible through its Corporate Contributions Program, with a focus on sports, education, culture, health and social services, and the environment – with a preference to support initiatives that better the lives of NWT youth. Corporate contributions are not always made in cash. Some of NTPC's donations come in the form of merchandise, products, labour, and services.

Given the composition of the population, and the NWT Affirmative Action initiative and legislation, NTPC supports numerous Aboriginal initiatives. In the 2010 Annual Report, 70 sponsorship and donation initiatives are listed as supported by NTPC. The majority of these corporate sponsorships and donations seemed to be in support of Aboriginal events and causes.

In addition to these sponsorships, NTPC is a Friend and partner of the Native Communications Society and CKLB Radio. The Corporation allows CKLB to attach its satellite to the NTPC tower at the Jackfish power plant. The location of the satellite provides superior reception and reliability to customers throughout the Territories. In return, CKLB Radio helps NTPC communicate with customers in remote areas of NWT. NTPC also supports and sponsors live CKLB broadcasts of NWT Aboriginal gatherings and meetings.

Procurement Initiatives

When proposing new projects, NTPC may post RFT, RFP, RFI, and other official Requests on their website and in local newspapers. More often than not, NTPC will contract suppliers and vendors from their list of preferred vendors. When they have a specific tender that they know suits a particular vendor with a history of delivering on time in a safe, efficient, and cost effective manner, they will usually offer the contract to that preferred vendor.

Larger power generation projects will usually be handled by their parent company, NT Hydro, or their sister company, NTEC 03. NTPC acknowledges that there are not many Aboriginal or Northern based companies that do the highly specialized work required in the generation of power; however, NTPC is always open to receiving applications from potential new vendors.



Preferred Procurement Consideration

When a request for tender is received by NTPC, an Aboriginal company will receive preferred status if their bid comes within 10% of competitive bids. Priority is always given to the most cost effective supplier or vendor, providing they prove that they can do the job and meet all criteria in the same manner as the competitor. However, if the Aboriginal company comes within 10% of the lowest bid, they will receive the contract.

Future Projects, Opportunities and Government Initiatives

The Northwest Territories Power Corporation recognizes the importance of upgrading and maintaining infrastructure and equipment to provide superior power quality and reliability. The work and project are done on an ongoing basis, and continually provide procurement opportunities. It is important to note that information on forecasted projects is not publicly revealed by NTPC until such time that the projects are scheduled. NTPC works from an evolving 5-Year capital plan. They spend approximately \$15 million annually on initiatives to upgrade and maintain their infrastructure and equipment.

The NTPC is open to, and embraces opportunity for partnering with Aboriginal businesses and communities for the generation of electricity. An example, although not recent, is the 1992 agreement with the Dogrib Nation. In a \$115 million dollar deal, the Treaty 11 Dogrib Council (consisting of 2,300 members in 5 communities) financed and built two dams (one on the Snare River, the other on Lac La Martre River). The Dogrib Power Corporation then leased these dams, 4.3MW of hydro electricity, to the Northwest Power Corporation for a period of 65 years.

The Department of Environment and Natural Resources (ENR) for the NWT has various programs that help residents, businesses and communities save energy, reduce greenhouse gas emissions and other air pollutants, and save money. The Alternative Energy Technologies Program (AETP) has three funding categories designed to meet the needs of residents, businesses and communities.¹²

The Community Renewable Energy Fund assists government, communities, boards, agencies, and non-profit organizations by providing up to 50% to a maximum of \$50,000 annually for alternative energy technology projects.

Funding may also be applied to qualified studies, workshops or other activities that will lead to future alternative energy projects. Examples of qualified projects include photovoltaic systems, solar walls, heat recovery systems and energy use monitoring or control systems.

The Medium Renewable Energy Fund provides up to \$15,000 or one-third of the cost of a qualified alternative energy project for NWT businesses and off-grid commercial lodges and camps. An off-grid commercial lodge or camp refers to an operation that is directly involved in hunting, fishing, tourism or mineral exploration activities located at sites with no access to community power.

The Small Renewable Energy Fund provides up to \$5,000 for qualified residential projects. Among the qualified technologies are solar panels, ground source heat pumps and solar hot water heaters.

Highlights of Best Practices / Key Findings

- The NTPC is a crown corporation committed to Aboriginal development. NTPC has "Affirmative Action Eligibility Criteria," which align with the Territorial government's employment priority considerations for Indigenous Aboriginal, Indigenous non-Aboriginal, Resident women, and Resident disabled persons.
- The NTPC workforce is comprised of 48% Aboriginal people, and actively hires locally, especially within northern communities. NTPC is involved in youth (and adult) mentoring to develop skilled Aboriginal workers.
- NTPC does not have a stated Aboriginal policy or Aboriginal procurement policy. It does have preferred status for Aboriginal businesses when evaluating bids.
- NTPC maintains a list of Aboriginal suppliers, and actively develops Aboriginal suppliers within northern communities.
- NTPC is involved in a variety of charitable and community initiatives that include education, health, sports, and culture.
- NTPC has identified a lack of skilled workers in highly specialized areas of energy generation, and although it would like to develop these skills locally, often has to go outside of the Territory to acquire.

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Emera Inc.

Nova Scotia (with reference to New Brunswick, and Newfoundland and Labrador) - Historical Background

The majority of the power generation, transmission, and distribution in the province of Nova Scotia is owned by Nova Scotia Power Incorporated (NSPI). The remaining distribution is owned and operated by Nova Scotia's six municipal utilities. NSPI was privatized in 1992, and is now owned by Emera Inc., a publicly-traded company. Power is regulated on a cost-of-service basis by the Nova Scotia Utility and Review Board, pursuant to Nova Scotia's Public Utilities Act.

In 2004, the province introduced a new Electricity Act, which brought forth structural changes to the province's electricity market. A limited wholesale market has been created for the province's six municipal utilities which allows these customers to purchase electricity from any competitive supplier. In order to facilitate the operation of this market, the Electricity Act also requires regular filings with the Utility and Review Board in order to ensure continuity of generation, transmission, and distribution of electricity within the province and onto the North American grid.

Emera Inc. (parent company)

Emera Inc. is an energy and services company with \$6.9 billion in assets and revenues of \$2.1 billion. Emera Inc. is an electricity generation, transmission and distribution company, as well as a gas transmission and utility energy service company. Emera emerged when the Crown Corporation in Nova Scotia, the Nova Scotia Power Inc. (NSPI), privatized in 1992. In 1999, NSPI was then reorganized with the creation of Nova Scotia Power Holdings Inc. NSPI then became a wholly owned subsidiary of NSPHI, which began to publicly trade on the TSX (Toronto Stock Exchange) that same year. NSPHI was renamed "Emera Incorporated" in 2000 when the company began to focus on its growth outside of Nova Scotia. Emera currently operates throughout all the Maritimes provinces, with an overall focus on the northeastern region of North America. They also operate in three Caribbean countries (St. Lucia, Grand Bahamas, and Barbados), and in California. Emera Inc. employ over 3,600 employees. For the past six years, Emera Inc. has annually posted record earnings. They credit ongoing smart investments with this increase.

While Emera's number one priority is safety, their focus is also on sustainable development and environmentally responsible growth. They continue to work on adding more energy from cleaner, greener sources, and installing new technology to reduce emissions.

Emera Utility Services Inc. (a wholly-owned subsidiary)

Emera Utility Services Inc. (EUS) is the largest utility services contractor in Atlantic Canada, working in the transmission and distribution streams. EUS is the only contractor in the Maritimes with transmission line construction expertise. Emera Inc., launched Emera Utility Services, in name, in 2000.

Some of the companies Emera Inc. acquired to form EUS, date back to the 1960's (i.e. F.A Tucker Ltd, FibreTek and Cablecom). Therefore, it can be noted that EUS has been performing power transmission, distribution maintenance, and construction work in Atlantic Canada for over 40 years, and communications installation, construction, and maintenance services for more than 25 years.

Before 2007, the EUS business focus was as a communications maintenance contractor. Since this time, the company has grown exponentially, bringing in new customers, working to maintain live power lines, engineering wind farms, and overseeing procurement and construction on many levels.

The EUS head office is located in Halifax, with additional offices located in Sydney, Truro, Fredericton, Saint John, Moncton, Charlottetown, and Goobies. EUS have a fleet of close to 800 pieces of general and specialized utility construction equipment, including various heavy trucks, diggers, buckets cranes, floats, splicing vans, buses and loaders.

As one of the sixteen subsidiary companies that Emera Inc. owns and operates, EUS has a market advantage since they have access to multi-billion dollar capital, the ability to leverage partner relationships, and the access to reliable vendors and suppliers who can deliver large, complex projects at excellent rates. EUS also realize that by combining their power and telecom resources, they can pass value onto their 650,000+ direct customers.



The major services provided by EUS include:

- Transmission Line Construction and Maintenance
- Distribution Line Construction and Maintenance
- Substation & Control Building Construction and Maintenance
- Wind Farm Engineering, Procurement Construction and Maintenance
- Emergency Response and Service Restoration
- Telecommunications Installation & Repair Services
- Telecommunication Construction and Splicing
- Pole-top Transformer Supply, Rebuild and Repair

Corporate Governance and Policy

Emera's values and code of ethics are the foundations of the company's corporate governance practices and are balanced between the interests of shareholders, customers, and employees. Each of the 16 different subsidiaries is run by its own board and is composed of independent, well-informed directors, to ensure that Emera and its subsidiaries operate with integrity, accountability, and economic efficiency while never losing sight of creating solid shareholder value.

Emera's Code of Ethics specifies that all directors, officers, and employees work in accordance with a set of standards which were established to ensure that the rights and interests of the customers, shareholders, and employees are concurrently protected:

- Comply with all laws and company policies and procedures.
- Conduct business ethically and disclose potential conflicts of interest.
- Communicate openly and honestly in the workplace.
- Respect the environment.
- Treat everyone with dignity and respect.
- Exhibit good citizenship.
- Conduct business relationships with integrity, honesty and fairness.
- Keep sensitive, personal, customer, proprietary, technical, business or financial information confidential.
- Work safely.

In addition, Emera has a strong commitment to the overall communities. They support organizations and programs where they feel that by investing their time and resources they will make an impact, and where they feel they will instill a sense of pride in their employees.

Each individual subsidiary is responsible for their own initiatives.

Awards, Bursaries and Scholarships

The different Emera subsidiaries handle their own awards, bursaries, and scholarships. For example, while Emera Utility Services Inc. do not specifically award scholarships, their sister company, Nova Scotia Power, offers over 10 scholarships, including one that is specifically directed toward an Aboriginal high school student. Created in 2011, this scholarship offers \$1,500 for college or university entrance. It is renewable for a maximum of four years of study, depending upon length of study, and program leading to a certificate, diploma, or degree. Recipients of this scholarship are also eligible to participate in a work term with Nova Scotia Power. Other Emera subsidiaries that offered scholarships did not specifically recognize one for an Aboriginal student.

Emera, and especially Nova Scotia Power, are heavily involved with the Nova Scotia Community College. As a start, NSPI made a major investment in NSCC to fund the renewable energy technologies that will power one of their new buildings (The Center for the Built Environment, aka "CBE"). Emera Utility Services look here to hire Aboriginal graduates into their fold.



Corporate Aboriginal Policy and Procurement in the Maritimes

The population of Atlantic Canada is in the region of 2,328,000 (per 2011 census). The Aboriginal population in this area is approx. 36,000 (per AANDC). Therefore, approx. 1.5% of the population in the Atlantic provinces is Aboriginal. Overall, the Aboriginal population in Canada is 3.8% (per 2006 census), therefore the Aboriginal population in the Maritimes is considered low. Two Emera Inc. subsidiaries, Emera New Brunswick and Emera Newfoundland and Labrador, support Aboriginal Relations policies.

Emera New Brunswick

This wholly-owned subsidiary employs an Aboriginal Relations Manager who maintains ongoing contact to share information, concerns, and ideas with First Nations communities in New Brunswick. Through formal agreements established with First Nations organizations, Emera New Brunswick endeavours to meet the needs of both the First Nations community and the company. Their agreement shares the following key elements:

- Transparency and accountability
- Commitment to regular communication
- Community development and employment

These agreements have ensured that the continued traditional use of land and resources were respected throughout the project and in operations through appropriate environmental protections and archeological protocols.

During construction of the Brunswick Pipeline, Emera New Brunswick increased the quantity and quality of First Nations participation in their workforce, both through full-time employment and contracting opportunities.

Emera New Brunswick believes it is important to build and support the business capacity within New Brunswick's First Nation communities and they continue to support education and training programs that enhance the ability of First Nations communities to engage in business activities. Working cooperatively to develop a strong labour force within Mi'kmaq and Maliseet communities is an important component of Emera New Brunswick's relationship with New Brunswick's Aboriginal people.

Emera Newfoundland and Labrador

As part of their project management practices, Emera Newfoundland and Labrador is committed to building respectful and cooperative relationships with Mi'kmaq and other aboriginal communities in Newfoundland and Labrador.

Emera Newfoundland & Labrador adhere to the following guiding principles throughout their operations:

- Mutual Respect
- Early Engagement
- Openness and Transparency
- Building Long-term relationships



Procurement at Emera Utility Services Inc.

EUS does not have an aboriginal relations department, nor do they have an Aboriginal relations policy at this time; however, they have begun to work on developing them. They have taken meetings with the Aboriginal Human Resource Council, and this has helped to educate some staff members, including the Procurement Manager, with regard to Aboriginal businesses and opportunities.

EUS does not have a specific Aboriginal procurement policy. The procurement department is currently in the process of adopting an Aboriginal policy with guidelines. The guidelines for this policy will be developed within the company. EUS's reasoning behind their want of this policy is forward thinking, in that EUS are planning to have trust and business developed as a result of these relationships, which in turn, will therefore lead to more opportunities in future endeavours. EUS will depend on this trust and solid working relationship in locations either on, or close to Aboriginal communities so that EUS can hire Aboriginal businesses. They understand that Aboriginal communities would have a better network of reliable independent suppliers in those regions.

As the population of the Atlantic Provinces grows, and as renewable energy takes on a greater role, EUS will be looking to the Aboriginal people, communities, and businesses to help them build their future: whether it be through initial supplies and services, or partnering in renewable energy initiatives.

Historically, Emera Utility Services gives 'disadvantaged' groups additional consideration in their Subcontractor Prequalification process. One of the first questions in the applications for "Subcontractor Prequalification" and "EUS Fleet Vendor Prequalification" asks if the business is owned by a member of a historically disadvantaged group.

Following a meeting with the Aboriginal Human Resource Council, the Procurement Manager learned of an Industry Canada website that hosted several Aboriginal businesses. It was through this site that he found Mi'kmaq Office Furniture & Interiors Inc., a company that he hired to help them when recently moving offices.

Procurement Mechanisms and Initiatives

EUS does not post their RFT, RFP, RFI, or official Requests on their website, or on any outside business portal. They keep any future projects, whether they be planned or determined, inside the company. They contract the companies that they are already familiar with - the ones that have established a reliable business relationship with EUS already.

To become a new supplier, vendors are requested to first contact the EUS Procurement department. They will then be asked to complete a Subcontractor Prequalification Document. Following this, an interview with the EUS procurement manager will be required before EUS will put this new company on a prequalified list. Each new company must meet a minimum of specific requirements, and show an ability to meet delivery expectations, before they can be considered.

As mentioned above, Emera Utility Services does give 'disadvantaged' groups additional consideration in their Supplier Prequalification process.



Projects and Opportunities for Aboriginal Businesses

As Atlantic Canada's largest utility services contractor, EUS is constantly maintaining and upgrading infrastructure and building new, rebuilding, or refurbishing transmission lines.

Emera Inc., overall, is committed to the environment and as such, they are developing many new projects that focus on renewable energy: wind, tidal turbine, and biomass. Nova Scotia Power Inc., projects that there will be as many as 168 wind turbines operating in Nova Scotia this year (2012). EUS have been responsible for the construction of the NSPI owned wind farms, including the 2010 Digby Wind Farm, which generates over 30MW of energy.

Muskrat Falls, Lower Churchill Project

Of special note is the Muskrat Falls, Lower Churchill project. On November 18th, 2010, Emera Inc. signed a historic partnership agreement with Nalcor Energy, for the hydroelectric development of Muskrat Falls, which is part of Nalcor's Lower Churchill Project. This was an agreement that complimented the partnership that had already been in place between Nalcor and Innu Nation, as the Lower Churchill Project is located in Innu traditional territory. The Lower Churchill Project consists of two proposed installations, Gull Island and Muskrat Falls. The combined capacity of both facilities will be 3,074 MW, providing almost 17 terawatt hours of electricity per year. (Phase two of the project will be the development of Gull Island for which construction is expected to start several years after Muskrat Falls.)

More recently, on Feb. 11th, 2012, a second historical announcement was made with regard to Muskrat Falls. The provincial and federal governments, along with Labrador's three Aboriginal groups (Nunatsiavut Government, Innu Nation, Labrador Métis Nation) and Nalcor Energy-Lower Churchill Project, announced a contribution of \$30 million to provide Aboriginal people in Labrador with increased employment opportunities associated with major economic activities; to help Aboriginal people in this area ¹³ "gain the skills they need to prepare for employment in hydroelectric construction and in other major economic opportunities related to the Lower Churchill Project site". The result of this partnership is the establishment of the Labrador Aboriginal Training Partnership (LATP). The mandate of LATP is to oversee a comprehensive Training-to-Employment Plan that will prepare Inuit, Innu, and Métis for employed opportunities created through resource development throughout Labrador.

It is expected the Emera Utility Services will be on-site to oversee construction of Muskrat Falls, working in unison with LATP and Nalcor Energy.

One highlight of this agreement includes an estimate of ¹⁴8,600 person years of work on this project within the province between 2011 and 2017, with 5,400 of these person years occurring in Labrador. Adding the indirect and induced economic impact, there will be 18,400 person years of work in the province, and 47,800 person years in the whole country, with peak employment of approximately 2,700 people.

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^{13 02.11.12:} Peter MacKay, Minister of National Defense (Canada)

^{14 11.18.10:} News Release/Government of Newfoundland and Labrador - Canada

Highlights of Best Practices / Key Findings

- Emera is comprised of the parent company, Emera Inc., and sixteen subsidiary companies. Each subsidiary is independent, with its own board of directors. As such, Emera does not impose an Aboriginal relations policy on its subsidiaries.
- Emera New Brunswick, and Emera Newfoundland & Labrador have Aboriginal relations departments.
- Emera New Brunswick has formed agreements with Aboriginal communities, with the goals of transparency and accountability, commitment to regular communication, and community development and employment. It supports training and development programs within Aboriginal communities.
- Emera Newfoundland & Labrador has close connections with Aboriginal communities, and promotes the goals of mutual respect, early engagement, openness and transparency, and building long term relationships.
- Emera Utility Services does not have an Aboriginal department at this time but is planning to develop an Aboriginal policy and has met with the Aboriginal Human Resource Council to educate staff members with regards to Aboriginal business development. Recently an Aboriginal business specializing in office furniture helped EUS complete a move to new offices.
- Emera Utility Services has a qualified vendor list on which Aboriginal businesses can self-identify. Currently, Aboriginal businesses and contracts are not tracked; however, EUS gives Aboriginal and "disadvantaged" groups special consideration during the vendor qualification phase.
- Emera New Brunswick and Emera Newfoundland & Labrador also have qualified vendor lists, and track Aboriginal suppliers.
- Recently, a historic agreement was made between Emera Inc. and Nalcor Energy for new power generation facilities in Muskrat Falls, Lower Churchill River. The Province of Newfoundland & Labrador, the Federal government, and Aboriginal groups have reached a related agreement regarding economic development and funding for skills development surrounding this project.



STRATEGIC TEMPLATE FOR DEVELOPING ABORIGINAL PROCUREMENT POLICY

The Electricity Sector Council's initiative is designed to encourage and increase Aboriginal business participation in the Electricity Sector supply chain. The following is a suggested template for employers for developing an Aboriginal procurement policy and corresponding strategy.



Developing an Approach to Aboriginal Procurement

The following diagram sets out the elements of a good policy, strategy and operational tactics for developing an overall approach to Aboriginal procurement:



First Steps

Developing the business case for Aboriginal procurement, setting the organization's goals, and determining the impact of the policy and goals on the organization and all stakeholders is key. Developing strategies for implementing an Aboriginal procurement policy, which would include setting targets, timeframes, roles and responsibilities, and following through with implementation leads to development of operational tactics. Operational tactics would include assessing the requirements for Aboriginal suppliers, issuing specifications, promoting specific requirements while soliciting tenders, selecting specific Aboriginal suppliers, and finally, managing and supporting the performance and delivery from the suppliers.

Considerations in Developing the Business Case for Aboriginal Procurement

The Business Case for Increasing Aboriginal participation in the Electricity Sector's supply chain may include the following social, legal and environmental considerations:

- Overall Supplier Diversity developing a responsive and responsible Procurement policy
- Total Cost of Ownership (TCO) taking a holistic approach to assessing the costs of procuring a good or service, which is different from a traditional price-only focus
- Social License an approach to making and marketing goods and services that is inclusive of the communities
 purchasing within the market and those affected by the market
- R&D /Innovation/ Supply by Design proactively designing the supply of a good or service that makes the most
 efficient and effective use of resources
- Corporate Social Responsibility ensuring that social, legal and environmental concerns are addressed and provided for throughout the whole design, development and delivery of a good or service
- Customer Relations developing good customer and consumer relations with all affected parties, including all internal and external stakeholders
- Duty to Consult consulting with affected communities, especially Aboriginal and Northern communities, on moral, social, legal and environmental issues when determining the impact of providing a good or service



Guiding the Aboriginal Procurement Policy Formation Process

The following are questions and issues that will prompt discussion and development within the organization of a thorough Aboriginal procurement policy:

Framework Questions

- The new policy will have a relationship to other policies already adopted by the organization.
- What are the top 3-4 issues that are driving the need for the policy? Is there uniform agreement on these issues
 throughout the company? From where within the organization have the issues surfaced?
- What are the top 3-5 principles that will guide the policy?
- What values does the organization hold as important? In what ways do these values inform on the new policy?
- What would the policy likely be called , "A Policy to ...?"

Purpose, Use, and Risk Questions

- What is the internal business case for the policy and its adoption from the company's perspective? How important is this policy to the organization's corporate objectives and its bottom line?
- What is the utility/uses of the policy within the organization and externally?
- Who would use the policy? Who would be impacted and in what ways?
- What are the consequences and risks for the company if it were not to develop and/or adopt the policy?
- A good suggestion is that there be a background paper developed early on in this exercise with the title "Why we need an aboriginal procurement policy"

Policy Design Questions

- What role will users (broadly) have in shaping the policy?
- What are the implications of such a policy from the perspective of the (i) employees, (ii) shareholders, (iii) clients/customers
- What does it look like or how would I apply it at the Board of Directors level, at the accounting level, at the governance level, at the ground level, and etc.?
- Is the policy to be directed to internal users (procurement department) or external users (supply chain), or both?
- Will the policy be enforceable or advisory in nature (consequences of not following/deviating from the policy)?
- What is the company trying to change through the introduction of this new policy (e.g. exemplary practices)?
- Will the policy be construed as the comprehensive statement of the company's position or "stance" on aboriginal procurement?
- How will the policy be interpreted and implemented (by employees, Board, sub-contractors, stakeholders and etc.)?
- Who will be responsible for implementing and reporting on the impacts of the policy?
- How accessible will the policy be? How visible? Who can change it?
- How will the policy be ratified? Who will do this?
- Would there be any parts of the company to whom the policy would not apply (immunity vs. relevance)?
- What procedures, rules and controls will be needed to implement the policy?
- In advance of its ratification, each business unit within the company will need to consider the practical impacts the Policy will have for it so that procedures can be designed. How will this consultation be undertaken?



Scope of Policy Questions

- What kinds of subject matters would we expect to see in the policy?
- Aboriginal procurement targets for the company (optional)?
- Contracting and procurement practices, both those of the company and those of its sub-contractors (how far downstream do we want to encourage/dictate adherence to this policy)?
- Practices/approaches when dealing with aboriginal people (protocols that should/will be followed)?
- Code of ethics and/or behaviours?
- Business development (encouraging and creating opportunities)?
- Joint venturing and/or partnerships?
- Stances/positions on particular issues e.g. Equity a company position on the circumstances describing the kinds of development projects wherein lie opportunities for aboriginal people to attain an equity position (and the role of the company, if any, in facilitating that)?

Implementation Mechanisms and Timeframes Questions

- Sometimes policies will also include procedures (a manual, set of procedures etc). Will this policy include procedures, manuals, or other supplementary materials?
- The document should state whether the policy is mandatory or not. Does the document state whether the policy is mandatory?
- It should refer to the organization's Code of Conduct or other such protocols/policies already adopted.
- Will there be resources applied to the implementation of the policy?
- How soon does the policy need to be in effect?
- If the policy is to be implemented in stages, what is the implementation timeframe?

Leadership Questions

- Who within the organization will lead the formation of the policy?
 Who will be involved in its formation? Who will have input and how much?
- What communications, if any, will be undertaken to inform groups that this policy is under consideration (client, shareholders, employees/sub-contractors)?



SUMMARY, OBSERVATIONS AND RECOMMENDATIONS

7

Scope and Future Research

The Electricity Sector Council has undertaken an initial diagnostic study to explore the area of Aboriginal procurement. This interest in Aboriginal procurement follows on the heels of the Council's successful project on Aboriginal recruitment, advancement and retention.

In this new diagnostic study, two broad needs for electricity and renewable companies' supply chain were considered. On the one hand, larger electricity companies in each province and territory have ongoing procurement needs for products and services relating to infrastructure maintenance, new capital projects, etc. On the other hand, procurement can also refer to efforts to invite and stimulate independent power generation projects (e.g. alternative generation in wind, solar etc) that is, projects that could feed into power grids. While there are many similarities in these two types of procurement needs, and recognizing that both offer tremendous opportunities for Aboriginal peoples, the primary focus was on the first bundle of procurement needs for purposes of this first diagnostic project.

In consideration of the limited scope of this first diagnostic project on Aboriginal procurement, the Electricity Sector Council may wish to undertake a second research project at a later date. A future research study would explore the specific opportunities relating to Aboriginal business interests in independent power production, opportunities relating to alternatives to diesel power generation currently in use in northern communities, and specific business opportunities relating to feed in tariff programs.

The Business Case for Aboriginal Procurement

For some businesses in the electricity and renewables sector, Aboriginal procurement is still a new concept especially in those without well developed diversity or Aboriginal inclusion programs. Even if diversity policies exist there may not be a perceived link between the diversity policy and procurement practices in large electricity and renewables companies.

Further, companies with a diversity strategy may ask why they need a separate Aboriginal policy or strategy. There is not always a good understanding of why an overall strategy and plan for creating diversity is insufficient – that it is important to have a separate and distinctive strategy for Aboriginal people.

The business case for working with Aboriginal businesses is driven by legislation that encourages companies to consult with First Nations that may be impacted by developments which are on or proximate to traditional lands. This is further reinforced by the emergent view that companies ought to develop good relationship with Aboriginal people and their communities in effort to ensure that development moves forward in ways which are beneficial to those communities. It is simply the "right" thing to do. In addition, the business case is informed by the *total cost of ownership* (TCO) approach which is moving companies away from making short term price based decisions in favour of a more strategic approach of measuring all the costs and benefits of a firm's relationship with its suppliers. This approach means that other factors such as corporate social responsibility comes into play in procurement decisions.

Identifying Aboriginal Businesses as Potential Supply Chain participants

Some business personnel who were interviewed during this research expressed surprise at the variety of products available from Aboriginal suppliers, the size of many of the companies, and the sheer number of firms. Company representatives asked for information that could be provided on the Aboriginal population, the profiling of individual communities, and Aboriginal rights.

Procurement managers typically ask, "What goods and services can Aboriginal businesses supply to us, and can you give me a list so I may contact them?" Without access to such an inventory of Aboriginal businesses, locating Aboriginal suppliers requires original research. While some regional directories exist, and one is maintained by the federal government, the fact remains that locating Aboriginal suppliers and their product/service offerings can require hours of research.

Coordinated efforts should be undertaken to register Aboriginal suppliers in the typical directories used by the industry buyers, not just creating directories of Aboriginal businesses. Groups such as BC Hydro and Hydro One are leading the way in helping to compile easily accessible lists of Aboriginal suppliers. Few companies without a compelling business case would be willing to conduct such time consuming research to locate an Aboriginal supplier. Supplier data needs to be organized in a way that is accessible and usable by procurement managers.

Some companies in the electricity and renewables sector are doing proactive work to identify and engage Aboriginal suppliers. An example is that Program Managers located in the Aboriginal Relations Division of a company might identify or introduce Aboriginal businesses to the procurement divisions of their company. In this way, Aboriginal businesses get the opportunity to present their products and services to these companies.

The various directories of Aboriginal suppliers are valuable tools, especially if they are organized in ways that meet the specific needs of procurement personnel in this sector. In the compilation of these directories a Request for Information or an Expression



of Interest can be used to identify and qualify Aboriginal suppliers well in advance of actual proposal requests for products or services. The directories themselves may have embedded search engines which enable Aboriginal companies to pair up or partner with another firm in order to qualify as a "registered supplier". Companies that host these directories may also be willing to play a proactive role helping to match companies together so that they qualify. These regional directories are good though the sector might consider the merits of collaborating on a national directory. Such an initiative would not only be highly strategic to position the sector with the Aboriginal business community but cost efficiencies would also probably be realized with one directory rather than the current situation of multiple regional directories in use.

Taken together, these awareness and engagement barriers pose a formidable challenge. Procurement officers in large electricity and renewables sector companies are very comfortable with their existing network of suppliers and not always aware of what the Aboriginal business sector can offer. It will require effort to increase their awareness so that they look beyond their regular suppliers to consider Aboriginal suppliers.

Procurement as a discipline is becoming more professional, and the requirements for procurement professionals have recently been increased and expanded so that the field now encompasses the entire supply chain. Procurement professionals are expected to spot and act on emerging trends such as green sourcing. Inclusive Aboriginal procurement can be appropriately promoted as part of supplier diversity programs, which are being increasingly recognized for their strategic value. Supplier capacity development is being viewed as an emerging best practice, and thus efforts with Aboriginal suppliers are not really isolated initiatives, but rather can be viewed as part of a larger trend.

An Enterprise-wide Approach

Embarking on enterprise-wide inclusive Aboriginal procurement requires the concurrence of several layers within the organization, both vertical and horizontal. This is difficult and time consuming. For example, the staff engaged in building relationships with Aboriginal communities are sometimes housed in the Aboriginal Relations area, which is distinct from the Supply Chain/Procurement area. In developing a program, they must convince both Procurement and the community relations advocate of its merit. Even before this, someone has to ensure that the executive team is on board.

The adoption of enterprise-wide Aboriginal inclusionary strategies and policies requires that leadership embraces the issues inherent in Aboriginal development. Leaders either need to inform themselves or hire people to teach them about the issues. There are many consulting businesses or organizations that will offer executive learning about Aboriginal issues. Having gathered information and become informed company leaders need to reach out to Aboriginal communities and leadership to establish the relationships needed to build partnerships. Once that is underway then leaders need to build their organization's internal and external positions on Aboriginal relations. One of the key findings of the project was that such policies need to be driven from the top down. Without this, buy-in from the rest of the organization becomes increasingly difficult.

Positioning, branding and reputational value are all concerns of the Chief Executive Officer or President. These leaders also need to establish a definitive direction or stance on these issues for the company. This is usually achieved through policy statements or directives which create the imperative for Aboriginal inclusion within the company. In larger companies the vice presidents or senior managers develop strategies which respond to this imperative. Ideally all departments within a company are tasked with developing strategies and programming which impel the organization to develop and achieve goals in Aboriginal inclusion. It is within this organizational framework that the procurement department develops its strategies for Aboriginal procurement. This division or department will also develop operational mechanisms and tactics which further define their company's commitment to Aboriginal procurement. One could argue that the operational details of the policy or directive are most critical because they can effectively either invite or discourage Aboriginal businesses. The strategy may be inclusive in word but the operations and tactical level help define how proactive the company will be in its work with Aboriginal businesses.



Building Operational or Tactical Mechanisms within the Procurement Department

Companies that have their own procurement division or department need to build the right mechanisms which are inviting of Aboriginal business. They need these tactical mechanisms in order to work with Aboriginal businesses in a meaningful way. Otherwise the danger is that an Aboriginal procurement policy or directive may be considered just "lip service". A review of companies operating in the electricity and renewables sector reveals many operational practices and mechanisms which have helped Aboriginal businesses to participate more fully in companies' supply chains.

Consider the following practices and tactics which are already in use within the sector. These were developed by companies as a result of their growing awareness of the barriers which Aboriginal businesses face. These companies:

- may "unbundle" large contracts so that Aboriginal suppliers can bid;
- encourage non-Aboriginal suppliers to partner with Aboriginal suppliers to bid;
- may adjust criteria in bids specifically to accommodate Aboriginal suppliers;
- may establish a "set-aside" style program which invites bids from only those businesses that have self identified or qualified as Aboriginal businesses;
- have established targets for Aboriginal procurement;
- have an established and consistent definition of an Aboriginal business, preferably with minimum 51% Aboriginal ownership evidenced;
- if they were involved in past grievances regarding Aboriginal lands or resources; then it is actively resolving these, or making an effort to do so;
- actively encourage Aboriginal suppliers to apply for work or for contracts;
- track Aboriginal suppliers and/or projects that used Aboriginal suppliers;
- include a place to indicate "Aboriginal supplier" on supplier application forms or tenders;
- have adopted a preferential system for evaluating bids such that the supplier "earns" extra points in the procurement
 process for being an Aboriginal supplier and/or employing Aboriginal people;
- actively promote opportunities for partnerships or joint-ventures with an Aboriginal company or group;
- have adopted "content rules" which ensure that partnerships are not simply "shells", rather that the work performed inside the contract is tracked and efforts are made to ensure that the benefit of the work accrues to the Aboriginal partner in the joint venture (e.g. 51% Aboriginal content);
- have a system for tracking, aggregating and reporting on Aboriginal procurement numbers and volumes;
- offer cross cultural or cultural awareness training to procurement personnel;
- employ Aboriginal people within their procurement department or division.



Aboriginal Business Capacity Building

The hiring of business consultants with the dual task of identifying and brokering leads between companies and Aboriginal businesses is an effective way to develop supplier relationships. These "intermediaries" are given a wide mandate by companies to work with communities with a view to actualizing the (employment and) procurement targets notionally or explicitly set for development/ capital projects. These intermediaries hold information sessions in communities to explain the forward procurement needs. They will use point people in communities to identify Aboriginal people who may need support to bid on projects or to scale their businesses to meet specific opportunities. Assistance may range from the development of proposal documents, working with Aboriginal businesses to satisfying bonding requirements, brokering capital leasing deals, or hiring the right accounting and management support needed so that the Aboriginal suppliers can be successful in the job.

In assessing suppliers, companies closely examine Aboriginal businesses' track record, reputation, and management expertise. If the Aboriginal business does not have such a track record, the deficit can be mitigated through seasoned joint ventures partners, by the Aboriginal business hiring experienced executives or by the involvement of expert advisors.

Electricity companies often have long standing relationships with their suppliers, and before adding a new supplier or changing from an existing one will seek reassurance about product/service quality and reliability. External validation through standards organizations such as ISO can be useful.

Increasingly, businesses select suppliers based on the total business value, i.e. using the Total Cost of Ownership approach to supplier evaluation. But, to successfully conclude deals, Aboriginal businesses will need to be within the established price range. On a business level, the relationship between Aboriginal suppliers and electricity and renewables sector companies also needs to be based on trust. Electricity companies will need to establish supplier capacity programs. Aboriginal suppliers need to ensure that if they are awarded contracts they must meet the quality and fulfillment requirements of the contracts.

Canadian business is based heavily on contacts. The more Aboriginal businesses are part of, or inserted into, the mainstream business network, the more opportunities will surface. Aboriginal businesses, especially smaller businesses, are reporting difficulty in learning about opportunities with companies and other organizations. It is important they recognize that there are formal and informal processes, and in some cases the informal network is as significant as the more formal procurement processes. Often the relationship building begins well before a proposal is made public. Opportunity identification can be especially difficult for urban based Aboriginal businesses, as opposed to those located in an Aboriginal community, as companies may not know how to easily locate and identify urban based Aboriginal businesses.

Many organizations will base their decision on whether or not to purchase from an Aboriginal supplier entirely on whether or not that business relationship will add value to their company. They select all suppliers very carefully, and take on new suppliers only after considerable due diligence. Aboriginal businesses should also carefully assess which companies they want to do business with, gaining a detailed understanding of their procurement practices and determining which one will be the best match for their firm. If the Aboriginal firm is not familiar with the procurement practices, they could waste a great deal of time determining the most appropriate contact. For instance, the purchase of a product could be aggregated and outsourced to a larger buying entity or cooperative. Aboriginal firms have benefitted from the 'how to do business' workshops offered by companies such as Hydro One. Such programs could potentially be developed as a national service offer by the Electricity Sector Council.



For many small Aboriginal businesses the best opportunities to participate in a large project are through sub-contracts. Identifying such opportunities can be a challenge. Hydro One has made it easier as the names of the firms that download their tender documents are available, and thus smaller suppliers can approach these firms with offers to sub-contract. The Merx system, used extensively by federal government departments, uses this approach.

For the industries that use them, and most do in some form, being on the pre-qualified suppliers list is extremely important. While there is less appetite to adjust product or service specifications to the capacity of Aboriginal businesses, there seems to be an acceptance to offer training to Aboriginal businesses so that they can meet the minimum qualifications to be on this pre-qualified list. Such supplier capacity development programs offer promise for use by companies in the electricity and renewables sector.

Like other small businesses, some Aboriginal businesses are experiencing challenges in wading through the myriad of requirements contained in formal RFPs and tender documents. They need factual information and understanding on the typical procurement process and basic requirements to do business with a particular firm. For example, some firms require that all suppliers possess certain safety certifications. They would benefit from a better understanding of standard procurement arrangements (such as preferred supplier lists used by large companies) and how to qualify for them. They lack experience in preparing formal bids and would appreciate guidance in how to prepare a bid. Some would benefit from information and standard techniques on how to price a piece of work, both cost estimation and price determination.

As mentioned above, joint ventures are another commonly used method to address supplier capacity issues. Aboriginal businesses would benefit from assistance in locating potential joint venture partners, and in understanding how to effectively negotiate a joint venture agreement, and the factors that contribute to maintaining the partnership through the life of the business venture. These could be either other Aboriginal businesses or non Aboriginal businesses. The literature on Aboriginal business partnerships is very thin. Companies with insights into partnership building could assist Aboriginal businesses to better understand their competitive advantages and their core competencies. The issue of business "fit" requires more in-depth examination in order to ensure that the partnerships that are being encouraged stand the chance of surviving and creating value for parties.

Studies of non-Aboriginal businesses show that the bulk of new business failures occur within the first three years of operations, so specialized support for Aboriginal companies at different stages of development during this critical time period may be warranted. A potential role for the Electricity Sector Council is to develop resources for Aboriginal companies to develop needed capacities at different stages of their growth. Approaching this capacity from a business life cycle perspective would be very practical. The Council could play a role with business development kits which meet the needs of Aboriginal businesses at key intervals of their evolution e.g. eighteen months, three years and five years. The electricity and renewables sector's long term horizon and outlook lend itself to the adoption of a life cycle approach and year over year development approaches to building Aboriginal business capacity.



The Electricity Sector Council and Advisory Services

In addition to the development of a suite of tools which help engagements between electricity companies and Aboriginal businesses, there is also the need for advisory services which the Electricity Sector Council could take on as a new service offer. A Business Development Unit housed within the Electricity Sector Council could be hired to help electricity companies with a full suite of Aboriginal business engagement expertise. Companies continue to lack familiarity with working with Aboriginal businesses and the basic protocols for doing business.

- To whom do I make the offer, the Chief?
- Do I address him or her as Chief?
- How do I find out who the Chief is?
- How do I find out which businesses are in the community?
- What is the most efficient entry point?
- Is there sufficient capacity?

An effective Advisory Service will require expertise in a variety of roles. The Council is uniquely positioned to gather the best practices used by companies in the sector, as it relates to their work with Aboriginal businesses. Companies that try new engagement strategies learn things in the process but the lessons remain with the company. If there was a way to collect these practices and distill them down into step by step procedures for companies, there would be a market for such advisory services. For example, looking at the complex agreements which are typical in the electricity and renewables sector in development opportunities such as independent power projects, any services which could shorten the time required or reduce the risk in working with Aboriginal businesses will command a strong fee for service.



Conclusion

The strength of the business case shows the need for continued in-depth engagement between companies in the electricity and renewables sector and the Aboriginal business sector. The Electricity Sector Council is one of the few industry-based organizations with a national perspective which could commit to increasing procurement with small and medium sized Aboriginal businesses. The Council is well positioned to advise on best practices and to develop tools which promote connections and a healthy working relationship in order to bridge the supply and demand sides of the electrical supply chain. In addition to products, the Council could consider advisory services as part of a larger strategy to meet the needs of its member communities and the Aboriginal business community.

The Electricity Sector Council's future role in this area as a bridge between member companies and the Aboriginal business community could be strongly catalytic. Through its roles as information broker, purveyor of best practices and a provider of advisory services and information dissemination, the Electricity Sector Council can play an important role to deepen relationships between member companies and the Aboriginal business sector.

The Electricity Sector Council is also well positioned to encourage its stakeholder companies to increase procurement from small and medium sized Aboriginal businesses. It is able to advise on best practices, and even support companies through the policy development process by developing new policy templates as well as principles to guide strategy and to connect them to experts and thought leaders in the field of Aboriginal procurement and business development. Perhaps most importantly the Council's involvement can help member companies place priority on their inclusionary goals in the face of many other competing priorities.

The Electricity Sector Council can ensure that major companies such as SaskPower or Ontario Power Generation fully appreciate the leadership role they play in the successful growth of the Aboriginal business sector. By building provisions in these companies' contract letting processes to favour Aboriginal capacity development and use of Aboriginal suppliers, these companies can smooth the way for (sub) contractors who are trying to create a competitive advantage by building deep engagement with Aboriginal communities – a process that can take many years. If there is no recognition or requirement for Aboriginal benefits in the contracts of the majors, others are less inclined to include them as well.

APPENDIX: CHALLENGES AND ISSUES IN ABORIGINAL PROCUREMENT

Overview

For many organizations, doing business with Aboriginal companies still represents an unknown experience but a quick review of the latest statistics should encourage most to consider this supply chain as a valuable and viable resource. Canada's Aboriginal population is growing rapidly. According to Statistics Canada, by 2017, the Aboriginal population will reach nearly 1.5 million people; roughly 4.1 per cent of Canada's population. This represents a significant increase from 2006, when the Aboriginal population stood at 1,172,790, or 3.8 per cent of Canada's population. Canada's Aboriginal population is also much younger than the rest of Canada. In 2006, the median age was 22 years, compared with 40 years, for non-Aboriginal people. This growth is nothing short of an Aboriginal baby boom and one that can help fill the void of retiring non-Aboriginal baby boomers.

According to the Canadian Council for Aboriginal Business (CCAB) and Environics Research Aboriginal self-employment is also on the rise. According to the 2006 Census, there are more than 37,000 First Nation, Métis and Inuit persons in Canada who have their own businesses, a significant increase of 85 percent since 1996. Successful Aboriginal businesses create employment, economic prosperity, and social well being in communities across Canada.

In addition to Aboriginal small business development much of the growth for Aboriginal small business can be attributed to the increased longevity and entrenchment of Aboriginal Economic Development Corporations.

According to the Canadian Council for Aboriginal Business, most (72%) of the Economic Development Corporations have been around for 10 years or longer; the average length of operation is 18 years. The majority (68 %) are small businesses (i.e., based on the Industry Canada definition of less than 100 employees). Close to half (46 %) had total sales revenues of \$ 5 million or more for the previous fiscal year.

Aboriginal business continues to grow ever larger, playing a vital role in Canada's economic engine. Statistics show that between 1989 and 1996, Aboriginal business investments totaled \$338.7 million, with the fastest-growing areas reflected in computer services, information technology, engineering and accounting.

Aboriginal businesses are very interested in forming relationships with mainstream businesses. Procurement can be a way for Aboriginal businesses to grow and prosper. Mainstream companies have many procurement needs. To what extent have companies developed supplier diversity strategies? How many mainstream companies see the potential to work with these Aboriginal businesses in a supplier capacity?

As Aboriginal businesses continue to grow in Canada they may consider procurement opportunities as a vehicle to further growth and expansion. What can the mainstream businesses in the electricity and renewables sector do to increase their relationship with the growing Aboriginal business community? How do they forge those partnerships? What strategies and tools do they need to encourage this process?



Specific Challenges in Aboriginal Procurement

Consider some of the reasons why Aboriginal businesses have been unable to compete for procurement contracts. This description informs on the broader issue of the disconnect between opportunity and response.

Demonstrating Capability

In assessing options for "minority" suppliers, mainstream companies typically examine a (Aboriginal) Small/Medium Enterprise's track record, reputation, and management expertise. If the individual Aboriginal business does not have such a track record, the deficit can be mitigated through seasoned joint ventures partners, by the Aboriginal business hiring experienced executives, partnering with another more experienced Aboriginal supplier, or by the involvement of expert advisors. Such credentials add tremendously to the value proposition put forward by Aboriginal firms. Companies often have long standing relationships with their suppliers and before adding a new supplier or changing from an existing one will seek reassurance about product/service quality and reliability. External validation such as ISO can be useful.

Creating an Aboriginal Brand

In some industries, there is talk of creating an Aboriginal brand. It may be hard to maintain visibility as an "Aboriginal" product for some items due to regulations, type of product, industry environment, etc. In some situations in which desirable product qualities align with the attributes of the Aboriginal product there could be substantial value; for example Aboriginal food products.

Pricing

How much will it cost to buy the product? Most businesses select suppliers based on the total business value, but to conclude deals Aboriginal businesses will need to be within the pricing ball park.

Merit of Supplementary Income Streams

Typically Aboriginal communities have small populations and because of that some businesses can't generate sufficient revenue to support a full time, independent business. However, business opportunities exist to enhance existing Aboriginal businesses through addition of products that would generate supplementary income for the business. This revenue makes a contribution to covering fixed costs and thus increases the overall viability of the existing business. Understanding that even a business that provides income equivalent to a part-time job would be useful, and changes the dynamics as to the definition of "viable business opportunity".

Importance of Informal networks

Aboriginal businesses especially smaller businesses are reporting difficulty in learning about opportunities with companies and other organizations. It is important they recognize that there are formal and informal processes and in some cases the informal network is as significant as the more formal procurement processes. Often the relationship building begins well before a proposal hits the street. Opportunity identification can be especially difficult for urban based Aboriginal businesses as opposed to those located in an Aboriginal community as companies do not know how to locate them. Collaboration starts with the formation of information networks.



Selecting the Right Opportunities to Pursue/Who to Market to

Many organizations will base their decision on whether or not to purchase from an Aboriginal supplier entirely on whether or not that business relationship will add value to their company. They select all suppliers very carefully and take on new suppliers only after considerable due diligence. Aboriginal businesses should also carefully assess which companies they want to do business with, gaining a detailed understanding of their procurement practices and determining which one will be the best match for their firm. If the Aboriginal firm is not familiar with the procurement practices, they could waste a great deal of time.

Sub-Contracts

For many small Aboriginal businesses the best opportunities to participate in a large project are through sub-contracts. Identifying such opportunities can be a challenge. Hydro One, as an example, has made it easier as the names of the firms that download their tender documents are available and thus smaller suppliers can approach these firms with offers to sub-contract. The MERX system used extensively by federal government departments uses a similar approach.

Navigating Procurement Systems

For the industries that use them and most do in some form, being on the pre-qualified suppliers list is extremely important. While there is less appetite to adjust product or service specifications to the capacity of Aboriginal businesses, there seems to be an acceptance to offer training to Aboriginal businesses so that they can meet the minimum qualifications to be on the list. Such supplier capacity development programs offer promise for expanded delivery in the electricity and renewables sector.

Complexity of Tenders

Like other small businesses, some Aboriginal businesses are experiencing challenges in wading through the myriad of requirements contained in formal RFPs and tender documents. They need factual information and understanding on the typical procurement process and basic requirements to do business with a particular firm. For example some firms require that all suppliers possess certain safety certifications. Aboriginal businesses would benefit from a better understanding of standard procurement arrangements such as purchasing cards and preferred supplier lists used by large companies and how to qualify for them.

They lack experience in preparing formal bids and would appreciate guidance in how to prepare a bid. Some would benefit from information and standard techniques on how to price a piece of work, both cost estimation and price determination.

Early Stages

As with any supplier in a new business relationship, Aboriginal businesses must execute well during the early stages of the relationship to build confidence in their reliability and expertise; emails and phone calls need to be returned promptly, there must be follow through on discussions and delivery schedules upheld. This is not always the case with Aboriginal businesses.

Ability to respond to opportunities in the scale required

Large firms such as those that are partners in this project sell large volumes. Many small and mid-sized firms cannot meet the volumes required. To build capacity, suppliers can partner. The formation of a co-operative of producers could be a responsive strategy. Bringing together disparate First Nations into a co-operative that will yield a consistent, high quality product requires exceptional management skills. Co-operatives or consortiums are possible but the difficulties must not be underestimated, or they will fail. Further, building such a co-operative or business consortium will often involve inter-provincial or national movement of goods which calls into play a different and complex set of requirements and thus the competencies to manage them.



Joint ventures

Aboriginal businesses would benefit from assistance in locating potential joint venture partners and in understanding how to effectively negotiate a joint venture agreement and the factors that contribute to maintaining the partnership through the life of the business venture. These could be either other Aboriginal businesses or non Aboriginal businesses.

New Venture Management: Increasing 5 year Survival Rate

In the last few years there has been significant investment in Aboriginal start ups. These businesses have passed the stage of start-up but the skills to survive until the fifth year are different and rely heavily on production execution, cost control and marketing expertise. If firms are undercapitalized, they will not survive until sales materialize and if they aren't able to execute on the sales they will also fail. Studies of non Aboriginal businesses show that the bulk of new business failures occur within three years so specialized support for Aboriginal companies at different stages of development during this critical time period may be warranted.

Management Expertise

The Aboriginal business sector is maturing. Aboriginal businesses seeking procurement opportunities, as a vehicle for growth, should ask themselves whether they have the management expertise to respond to these opportunities with the means and scale required. Small businesses tend to progress "naturally" through start-up and growth cycles. Each phase in business maturation requires varying types of management expertise to navigate the pitfalls and take advantage of emerging opportunities. The ability to provide and evolve this management expertise in response to the changing needs of the business cycle is one determinant in (Aboriginal) small business success.

Ownership Structure-Band Owned Businesses

Band owned businesses present their own challenges especially if there is not a clear separation of authorities between the Economic Development Corporation and the Council. When this distinction is blurred it affects the business for example a change in Council members every two years could lead to imposition of a new strategic direction on band owned businesses. When there is not an appropriate division of roles between the Economic Development decisions and Council decisions, timely business decisions may be jeopardized. Good business governance is key to success.



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