



Green Energy Development at Nipissing First Nation Challenges and Opportunities

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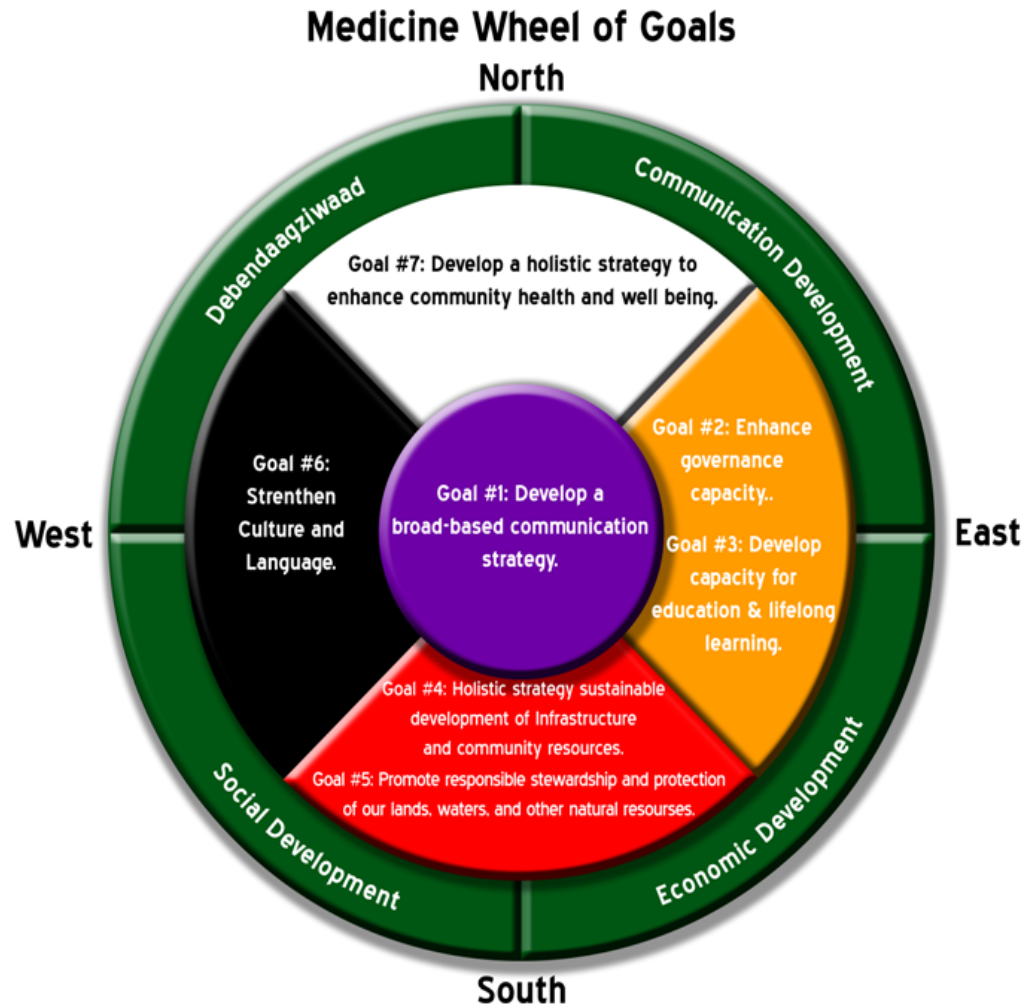
**2016 Energy Workshop for Eastern & Northeastern
Ontario First Nations**



Overview

1. NFN's Strategy and Approach
2. NFN's renewable Energy Projects
3. Financing challenges and opportunities for energy projects
4. Where NFN accessed grants, incentives, debt and equity
5. Financing NFN's energy projects
6. Major project financing - how can more be done in First Nations communities
7. Lessons Learned Recent Competitive RFPs in Ontario (IESO LRP)

The NFN Strategic Plan





NFN Economic Development Goals

Main economic development goals

- Raise the standard of living for NFN families to match or exceed the Canadian median family income of \$76,000 per year.
- Create own source revenue streams such that NFN becomes financially self-sufficient by 2020.
- Reduce the unemployment rate to be equal or less than the national average of 7%.



How Does this Get Done?

- Create the environment for well-paying jobs to result.
- Provide support to on reserve businesses (member & non-member owned) to help stimulate growth, create employment, build capacity, increase sales and improve profits.
- Attract new business to NFN by providing certainty on land management and Nipissing Nation governance.



How Does this Get Done?

- Develop the skills of the NFN work force.
- Develop partnerships to develop new businesses that provide a revenue stream with adequate IRR and social benefits.
- Develop renewable energy / alternative energy projects designed to lower the operating costs of NFN facilities as well as lower the energy costs of individual band member households and to create jobs.
- Capturing and using data for decision-making.
- Constantly evaluate and adjust.



NFN Renewable Energy Projects

- Develop NFN Energy Strategy
- CHP using biomass
 - North Bay Regional Health Centre
- Wood Pellet Production
- Feed in Tariff (FIT 2.0/2.1) at NFN
- Sm FIT 3.0 & FIT 3.5 outside NFN
- FIT 4.0 outside NFN
- Microfit (less than 10kw) at NFN
- IESO LRP: over 10MW wind/solar at NFN or NFN Traditional Territory



FIT 2.1 – 4: On reserve projects

- 100% NFN owned using LP structure
- Capacity building for NFN staff and construction crew, which employed band members
- Portion of soft costs funded by IESO AREF program
- Training costs covered by IESO Education and Capacity Building (ECB program and NFN Employment and Training program)
- Project development and construction financed by FNFA leveraging NFN's financial system certification status with the FNFMB

FIT 2.1 – Project Installation



FIT 2.1

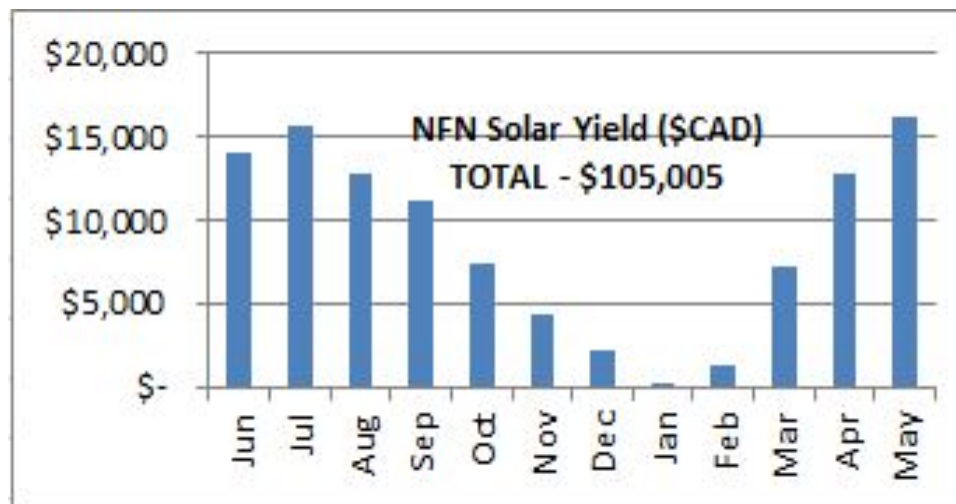
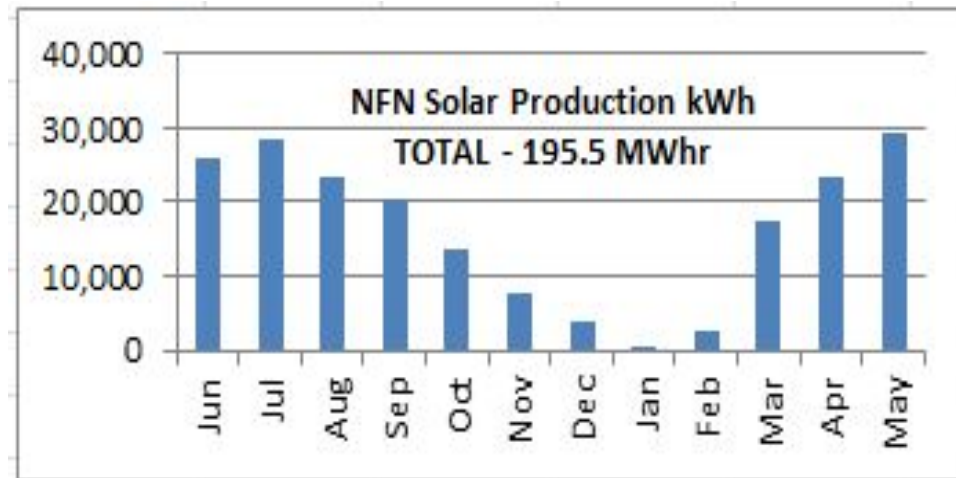
Finished Project!



Project Production and Yield

Jun 2015 to May 2016

Total size 4 systems – 167 kW





FIT 3.0 & 3.5 (up to 500kw)

- Partners (15%) with a solar developer on a portfolio of roof mounted projects – 16.8 MW located in south/central Ontario
- Portion of soft costs funded IESO AREF program
- Legal and financial consulting costs higher due to complex partnership structures and detailed and complex financial model
- Equity funded by low interest loan from the NFN Land Claim Trust



MicroFIT (less than 10kw)

- 100% NFN owned
- 10 projects on reserve (rental units)
- Construction planned for the spring of 2017
(if application approved by IESO)
- Financing undecided
 - Loan from NFN (own source revenue)
 - NFN Land Claim Trust



LRP: Gidaabik Wind Project

- Partners (15%) on a Wind project proposal to build a generation facility 20km north of North Bay within NFN traditional territory
- Portion of soft costs covered by IESO AREF program
- Legal and financial advisory costs high due to partnership negotiation
- Equity financing options:
 - Financed by project – developer equity loan and loan payment made using project cash flow (higher interest)
 - NFN Land Claim Trust loan (low interest)
 - FNFA Loan (low interest)
 - Some combination of the above (sweet spot between financing costs, cash flow and risk)



Where NFN turned to for...

Grants, Incentives, Debt & Equity

- OPA/ISEO Programs – soft costs
- Ontario Finance Authority
 - Challenges
- Own source Financing
 - Challenges
- Financing through the partnership
- Mainstream institutions
- First Nation Finance Authority (FNFA)



Financing Challenges & opportunities for energy projects

- Challenges
- Ontario policy environment
- Need to get our own house in order and build capacity
 - NFN's Financial Administration Law
 - Gichi-Naaknigewin
 - Enhanced Financial management and analysis capacity
 - Getting the right advice in a cost effective way
 - Due Diligence processes



Financing Energy Projects at Nipissing First Nation

- Using private financing
 - How and when to use private financing
- Risk Management
- Determining our risk tolerance and explaining risk to membership and decision-makers.
- Different types of risk



Major project financing – what more can be done?

- Need to marry the vision of the community to the scope of the project.
- Deals are complex and the financing even more so
 - how well do we understand these deals and their complexity?
 - How much do we trust our advisors?
 - How well do decision makers understand the deal?
- Make the Aboriginal Loan Guarantee program more transparent, navigable and accessible.
- LRP proved that the big players didn't understand First Nations or the political environment – that created uncertainty.



Lessons Learned – IESO LRP

Challenges with Competitive RFPs:

- Competitive Procurement as a matter of policy goes against the policy of promoting First Nation participation and capacity building.
- Even with plenty of lead time to allow early engagement and allow proponents to partner with First Nations, NFN was lucky in that its partner reached out early, but many First Nations were only contacted in the last 4 to 6 weeks before Sept 1st.
- Competitive Procurement puts strict requirements on confidentiality and created challenges in obtaining disclosure.
- NFN had to negotiate a partnership agreement that will allow for a more fulsome due diligence process post contract award. Also negotiated to increase to 50.1% post contract award. We were pleased with this.
- NFN had to be satisfied that its partner would provide a sufficient loan (i.e lender of last resort)



Lessons Learned – IESO LRP

Challenges with Competitive RFPs:

- Former FIT programs were standard contracts with standard pricing.
- Ontario moved away from standard offer contracts for political reasons (Conservatives challenged programs)
- LRP is a competitive procurement with lowest bid winning or bid with greatest Aboriginal % of Participation allowing bid to be higher.
- Challenges arose in the due diligence phase.
- NFN needed time to carry out early consultation and needed capacity building time with council to ensure buy-in, but little could be told about the true economics. Indicative budgets were circulated, but those created challenges for negotiation and caused challenges in building trust between NFN and proponent.
- In the end, NFN & partners were unsuccessful due to capacity constraints...

Proposed Investment Streams

- It is proposed that revenues be divided into four broad reinvestment streams for the benefit of the membership and the community, now and for the future.





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