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# Hydropower Project – Memorandum of Understanding with the Saskatoon Tribal Council

## Recommendation

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

That the City Solicitor prepare a Memorandum of Understanding with the Saskatoon Tribal Council in accordance with the general terms set out in this report for the purpose of studying the financial feasibility of a hydropower project at the Saskatoon weir, and that His Worship the Mayor and the City Clerk be authorized to execute the Memorandum of Understanding under the Corporate Seal.

## Topic and Purpose

The purpose of this report is to request approval to enter into a Memorandum of Understanding (MOU) with the Saskatoon Tribal Council (STC) to study the financial feasibility and joint ownership of a proposed hydropower project on the South Saskatchewan River at the Saskatoon weir.

## Report Highlights

1. Administration has negotiated a potential MOU with the STC that outlines the general terms for a mutually beneficial partnership to study the development of a proposed hydropower project at the weir.
2. SaskPower may be interested in purchasing electricity generated by the hydropower station under a long-term power purchase agreement facilitated by the First Nations Power Authority. One of the next steps for project development would be to engage in discussions with SaskPower to confirm their interest in purchasing electricity from the hydropower station.

## Strategic Goals

This report supports the short- and long-term strategies to strengthen relations with local Aboriginal organizations under the Strategic Goal of Quality of Life, and the 2017 commitment to the Truth and Reconciliation Commission Calls to Action.

This report also supports strategies to increase revenue sources and reduce reliance on residential property taxes under the Strategic Goal of Asset and Financial Sustainability, and to create new sources of green energy where feasible under the Strategic Goal of Environmental Leadership.

## Background

Pre-feasibility engineering and environmental baseline studies of several possible design concepts for a hydropower station at the Saskatoon weir were completed in

2009, and also considered a proposed pedestrian walkway and white water park feature. The studies concluded that the proposed development was technically feasible, and could be economically viable depending on the market value of the electricity produced.

At its meeting held on March 27, 2017, City Council directed Administration to prepare a MOU with STC that outlines a joint ownership model for the hydropower station. Joint ownership between the City and STC will bolster all aspects of the project and benefit both parties. The partnership will strengthen applications to senior governments for rates and capital contributions, and the combined resources of both agencies result in a stronger project team during the investigatory and construction phases, should the project proceed to construction.

Any consideration for a white water park feature would require leadership interest from either a developer, private operator, or non-profit organization. A separate report is planned to be presented to the Governance & Priorities Committee for consideration this fall, and will discuss the water park in the context of a Master Plan for Sport, Culture, and Recreation facilities. Administration will need direction as to whether the water park will be included in the development by December 2017.

At its meeting held on June 12, 2017, the Standing Policy Committee on Environment, Utilities and Corporate Services received a request from the Saskatoon Environmental Advisory Committee that the Administration discuss other renewable power opportunities along with potential partnerships with STC. High-level discussions have taken place and there may be interest in other partnership opportunities in the future for different types of renewable power development, including solar photovoltaic projects. A separate report is planned to be presented to the Standing Policy Committee on Environment, Utilities and Corporate Services this fall regarding opportunities for solar power development in Saskatoon.

## **Report**

### **General Terms of the MOU**

Administration met several times with STC since March 2017 to establish the general terms of an MOU that will meet the goals of both parties. The MOU has been defined based on the general terms set out in this report, as follows:

1. Through the MOU, the STC will see economic, employment, and educational opportunities during the construction and operation of the proposed hydropower station.
2. If the project is determined to be financially feasible and agreeable to both parties, it is intended to then issue a Request for Proposals (RFP) to enter into a contract with a third party hydropower development partner to develop, construct, and operate the project for a negotiated term (e.g. 30 years). This would require negotiating a further Business Agreement that would be brought back to City Council for approval prior to the issuance of an RFP.
3. During this term, the hydropower development partner would be required to pay an annual dividend to be shared equally by the City and STC. The City could use

its share of the dividend to pay for the cost of a proposed pedestrian walkway over time.

4. At the end of the contract term, the hydropower development partner would be required to turn over the hydropower station to the City and STC in serviceable condition to operate and maintain from that time onward in order to provide a long-term revenue source to both parties.

### Electricity Sales to SaskPower

One of the next steps for project development would be to submit a proposal to SaskPower to confirm their interest in purchasing electricity from the hydropower station. The STC is working with the First Nations Power Authority, who has a Master Agreement with SaskPower to procure market-value electricity from First Nations led projects that meet SaskPower's supply development plans and its commitment to renewables.

### **Options to the Recommendation**

The City could approach SaskPower independently to negotiate a Power Purchase Agreement for the proposed hydropower station. This option is not recommended as the City would not realize all of the benefits of a partnership with STC identified in the report.

SL&P could interconnect the hydropower station to its own grid and offset bulk power purchases from SaskPower. This would be a wholly City led project, and the City could use the project towards its corporate or community emissions targets. This option is not recommended as the internal rate of return is lower than all other development concepts.

### **Public and/or Stakeholder Involvement**

Consultation will be ongoing with stakeholder groups such as the Meewasin Valley Authority, Saskatchewan Ministry of Environment, Water Security Agency, University of Saskatchewan, community-based special interest groups, and local residents.

### **Communication Plan**

While many of the project details are unknown until further work is carried out, citizens can find information about the project at [saskatoon.ca/hydropower](http://saskatoon.ca/hydropower). Communications planning will be ongoing as the project progresses and will include website updates, media relations, and advertising where required to promote opportunities for citizens to engage.

### **Financial Implications**

Project investigation to date has been funded from Capital Project #1281 - Sustainable Power Generation Options. The capital cost for the hydropower station is estimated at \$60 to 65 million, and could be funded by a third party hydropower development partner. The City may be able to construct the pedestrian walkway at no direct cost to the City, rehabilitate the existing weir, and inherit a long-term revenue producing asset in the future.

### **Other Considerations/Implications**

There are no policy, environmental, privacy, or CPTED implications or considerations.

### **Due Date for Follow-up and/or Project Completion**

Approval of the recommendation in this report does not give the Administration authority to proceed with procurement or construction. The MOU is simply an agreement to jointly investigate the next steps of the project. Subsequent reports will provide City Council with the information it needs to determine whether or not it will proceed with further development of the project.

If the project is determined to be financially feasible and agreeable to both parties, it is intended to then issue an RFP to enter into a contract with a third party hydropower development partner to develop, construct, and operate the project for a negotiated term (e.g. 30 years). Administration will present a proposed Business Agreement with STC for City Council approval in late 2017, to include the terms of a partnership and proposed strategy for developing the hydropower project.

### **Public Notice**

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

### **Report Approval**

Written by: Kevin Hudson, Metering & Sustainable Electricity Manager  
Reviewed by: Trevor Bell, Director of Saskatoon Light & Power  
Approved by: Angela Gardiner, Acting General Manager, Transportation & Utilities Department

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