

**2002/03 GREEN POWER
GENERATION
CALL FOR TENDERS
TENDER FORMS TUTORIAL**

QUESTIONS AND ANSWERS

Introduction

This document contains an edited version of the Questions and Answers at the August 11, 2003, 2002/03 Green Power Generation Call for Tenders (2002/03 GPG CFT) Tender Forms Tutorial.

Questions and Answers have been edited for clarity and accuracy. Similar Questions and Answers have been consolidated into a single, comprehensive Question and Answer. Only those Questions and Answers posted on the BC Hydro web site section at (www.bchydro.com/greenipp) become part of the 2002/03 GPG CFT.

Where there is any conflict between these Questions and Answers and the provisions of the 2002/03 GPG CFT, the provisions of the 2002/03 GPG CFT govern. These Questions and Answers do not in any way alter, or otherwise form any part of, or constitute legal advice with respect to the meaning or effect of, the 2002/03 Standard EPA.

General Tender Conditions

- 1. Please clarify the process - we submit our bids on August 29, 2003, and BC Hydro selects the successful bidders on September 29, 2003. Why does the Tender not expire until December 1, 2003?**

After BC Hydro notifies the successful bidders that they will be awarded an EPA, it is possible that one or more bidders might, for some reason, decide to forfeit their Tender Security and withdraw from the process. By keeping the Tender Security open until December 1, 2003, it provides Hydro with the opportunity to go back to some of the bidders who may not have been accepted at Step 3 of the Tender Award Process and award them an EPA.

- 2. If an unsuccessful bidder is awarded an EPA between September 29, 2003 and December 1, 2003 because a successful bidder has withdrawn from the process, is the previously unsuccessful bidder *required* to take the EPA?**

Yes, if an EPA is awarded to a bidder between September 29, 2003 and December 1, 2003, the EPA must be accepted.

- 3. Can the Tender submission have multiple choices; for example, could we make BC Hydro two offers and you could choose one or the other?**

No. Under the Tender rules you can make only one offer for a project, and this offer has to comply with the CFT rules.

- 4. What date will BC Hydro be sending the EPA to the bidders? Extending the date at which BC Hydro sends out the signed EPA may have an adverse effect on our project because we are very close to COD right now. In light of this, what is the likelihood of this date being extended?**

The date at which the fully signed EPA will be sent to the bidders is November 12, 2003, as stipulated in the revised CFT schedule, dated May 27, 2003. BC Hydro will uphold this schedule, so no extension to this deadline is anticipated.

- 5. If a bidder signs an EPA for a project and, for a reason that is covered in the EPA, cannot proceed with that project, will the bidder be able to bid that project into future calls with BC Hydro?**

If the bidder cannot satisfy the conditions subsequent specified in the EPA after having used commercially reasonable efforts do so and the Seller or the Buyer terminates the EPA pursuant to Section 3.1 on or before the Initial Period Expiry Date, then the Seller could reclaim all but \$5,000 of the Development Security. In that case, the project would not be disqualified from potential participation in future

opportunities. However, in the current 2002/03 GPG CFT process, bidders who were awarded EPAs in previous calls but who failed to satisfy or waive conditions subsequent in those EPAs, with the result that the EPAs were terminated, were required to wait 24 months before being eligible to submit a bid in response to the 2002/03 GPG CFT (refer to page 15 of the CFT). A similar stipulation may be part of future calls.

Tender Form Part I

6. How does the transition from the Tender Security to the Development Security occur? Does the proponent simply have to “step up” the Letter of Credit when replacing the Tender Security with the Development Security?

The Tender Security is required with your Tender Package on August 29, 2003. If the Tender Security is in the form of a Letter of Credit (LoC), this LoC must have an expiration date of December 1, 2003, or later. The Development Security must be in the form of a Letter of Credit (as stipulated in Section 13.1 of the EPA), and must be submitted to BC Hydro on October 27, 2003, along with the signed EPA. Therefore, the Tender Security is not “stepped up” by the Development Security; the two are independent securities whereby the Tender Security is effectively replaced by the Development Security. The Tender Security will be returned when the bidder has executed the EPA and delivered the Development Security to BC Hydro.

7. Why is the -\$5.00 Green Criteria Adjustment not listed in item 9 of Tender Form Part I?

The -\$5.00 Green Criteria Adjustment is not listed in item 9 of Tender Form Part I because the Green Criteria Adjustment applies to all successful bids. By pre-qualifying at the RFQ stage, a project is deemed “likely to meet the green criteria.” By progressing past Step 1 of the Tender Evaluation Process, a project is deemed to still be likely to meet the Green Criteria, which entitles the project to the -\$5.00 adjustment to its bid price.

8. Assume that a Contracted Capacity (CC) Table was submitted in June with an error, which was subsequently pointed out by BC Hydro. In resubmitting the corrected version of the CC Table as part of the Tender Submission, does this amended CC Table constitute a project change which would require the bidder to tick Check Box #3 in Attachment A?

If the bidder is simply correcting an error that BC Hydro has addressed in a letter to the bidder, then this amendment to the CC table would not constitute a project change. If, however, the bidder is changing the MWh/h values in Part I of Attachment C, or the percentages in Part II of Attachment A, this would constitute a project change and would have to be indicated in an appropriate fashion in Attachment A.

- 9. If the changes to the Contracted Capacity (CC) table submitted in the Tender package involve a net decrease in output, would this amendment be considered a material change and/or be grounds for Tender disqualification? It would appear that a net decrease in Contracted Capacity should not be grounds for Tender disqualification since it would seem to only decrease interconnection costs/adjustments. Is this a valid assumption?**

In fairness to all bidders, BC Hydro is unable to provide specific comments on what type of project changes would or would not be considered “material,” or would be grounds for Tender disqualification. The opportunity for advanced rulings on potential project changes was already provided to bidders in the “one time only” project change predetermination process, as described in the May 27, 2003, “Project Changes” CFT Addenda. However, BC Hydro will be issuing a set of rules in an upcoming CFT Addenda regarding what type of change to a project’s CC table would be grounds for Tender disqualification. This addenda will be posted to the Green IPP web pages no later than August 22, 2003.

- 10. Can BC Hydro release the range of adjustments applied to projects?**

No. BC Hydro will not be releasing the range of System Adjustments or Area Location Adjustments provided to the 2002/03 GPG pre-qualified bidders because doing so would decrease the competitiveness of the process while adding no real value to the process.

- 11. What happens after the expiry of the EPA? Is the IPP able to sell to a third party, or even sign again with BC Hydro? In negotiating this new agreement, would the IPP still be subject to the System Adjustment considering that the cost of the upgrades have already been accounted for by amortizing the System Upgrade Costs over the term of the EPA?**

Once the EPA has expired, the IPP is free to enter into other electricity sales arrangements, which may include a subsequent agreement with BC Hydro should both parties (the IPP and BC Hydro) be amenable to a new contract. The System Adjustment no longer applies beyond the term of the EPA, which is why the System Adjustment is amortized over the number of years of sale of output to BC Hydro under the 2002/03 GPG EPA.

- 12. For a hydro project, if a bidder elects to take the Natural Resource Adjustment and, in any given year, there is surplus water and the plant output is increased beyond 110% of Contracted Capacity; for example, to say 130% or 140% of CC during a three-month period, is this acceptable under the terms of the EPA?**

Yes, if the Natural Resource Adjustment has been elected, BC Hydro will take and pay for output up to a maximum of 110% of **Nameplate** capacity, as opposed to 110% of Contracted Capacity. Bidders should note the rules for completing the Contracted Capacity profile for projects where the Natural Resource Adjustment is elected. Bidders are required to represent that the profile has been completed in accordance with those rules.

Tender Form Part II & Tender Evaluation

13. In the April Call for Tenders Workshop, didn't BC Hydro mention that the limit of 800 GWh/year might be exceeded? However, today you've mentioned twice that 800 GWh/year is the limit.

BC Hydro has committed to procuring up to 800 GWh/year of electricity, and reserves the right to increase this limit. However, BC Hydro has made a policy decision - which has been posted to the www.bchydro.com/greenipp web pages - that if the Brilliant Expansion project is a successful bidder in the CFT, BC Hydro will purchase 800 GWh/year (or possibly more, if a decision is made to increase this limit) from other successful bidders, in addition to the output we purchase from the Brilliant Expansion project.

14. I recall that, at a previous workshop/tutorial, there was mention that there would be an increase in the amount of energy to be acquired as a result of the shortfall on the Customer-Based Generation (CBG) Call. Is that still the case?

BC Hydro's Sr. Vice-President, Distribution, Ben Van Ruyven, and Manager, Energy Acquisitions Implementation, Al Boldt, have commented on this at previous workshops. BC Hydro's target for the 2002/03 Green Call is 800 GWh/year. There is no commitment to move the 300 GWh/year shortfall of the CBG program into the current 2002/03 GPG program. Any decision to acquire energy beyond the current target (plus the energy from the Brilliant project, if successful) would depend on several variables: any drop-out from among the successful CBG bidders, the results of the hearings on the proposed Vancouver Island Generation Project, the proposed Georgia Strait Crossing project, and BC Hydro load forecasts.

15. The Tender Expiry Date is December 1, 2003. After December 1, is there any possibility that BC Hydro might offer EPAs to the "bench strength"; that is, projects for which the bids were unsuccessful, but which were not disqualified from the CFT process?

Yes. If, after December 1, 2003, projects for which BC Hydro has a signed EPA cannot be developed for any reason, BC Hydro will first offer other successful bidders, who have specified a CC of less than the full output of their project, an increased contracted capacity at their tendered Bid Price, which they can accept or

reject, and, next, go back to the unsuccessful (but not disqualified) bidders and offer them an EPA at their tendered bid price, at which point the bidder can choose to accept BC Hydro's offer outright, accept the offer conditionally with a revised target COD, or reject the offer.

16. Three different Securities are covered under the CFT and the EPA. Would you please confirm that the Tender Security is defined under the CFT, while the Development Security and Operating Security are defined under the EPA?

Yes, that is correct.

17. Must a Canadian Bank issue the Letter of Credit (LoC) for the Tender Security, or would BC Hydro accept a LoC issued by, for instance, a large life insurance company?

The Letter of Credit for the Tender Security must be issued or confirmed by a Canadian bank, as specified in the Call for Tenders.

18. On the Letter of Credit form there is both the Tender Security amount and a "maximum" amount. What is the difference between these two numbers?

The maximum amount on the LoC is just the limit, somewhat similar to that of a credit card. In most cases, the bank would probably put the same number in both fields. However, you are encouraged to consult your bank for further details regarding the LoC form fields and form requirements.

19. What is the current capacity limit in the Fraser Canyon Constraint area?

This question has been previously answered on the BC Hydro external web site. Please refer to the Q&A section at www.bchydro.com/greenipp.

20. With respect to the Fraser Canyon Constraint area, if there are two projects awarded EPAs in that constrained area, and the energy from these two projects fills the available capacity up to the threshold limit, do the remaining bidders with projects in that area know ahead of time how their Adjustments will change?

The interconnection costs and bid price adjustments were determined on a stand-alone basis for each project, so no bid prices or adjustments will be changed after the submission of Tenders.

21. Let's assume that certain projects in the Fraser Canyon Constraint area make it past Steps 1 & 2 of the Tender Award Process, but are not awarded EPAs at Step 3 because they do not form part of the lowest cost supply within the

capacity threshold in the Fraser Canyon. Will these projects become part of the general “bench strength” of bidders that BC Hydro may go back to in Step 4 of the Tender Award Process, or will they be placed on their own separate “bench”?

Based on the facts as stated above, if a successful bidder located outside the Fraser Canyon area does not proceed with an EPA, and the next lowest cost bid is in the Fraser Canyon, this project will not be offered an EPA because the available capacity in the Fraser Canyon area has already been filled. If, however, a successful bidder located within the Fraser Canyon area does not proceed with an EPA and the next lowest cost bid is in the Fraser Canyon, then that bidder can be offered an EPA, assuming that the new aggregate capacity for the Fraser Canyon including this project does not exceed the Major Transmission Capacity Threshold. In this respect, there would be a separate “bench” for the projects in the Fraser Canyon Constraint Area, in that unique rules apply to these projects.