

2002/03 GPG Request for Qualifications

November 26, 2002

What is the objective of the 2002/03 GPG RFQ?

BC Hydro's objective in issuing the 2002/03 GPG RFQ is to acquire new, green power generation from independent power producers. The 2002/03 GPG RFQ is the first step in the acquisition process.

2002/03 GPG Eligibility Requirements

December 9, 2002

If a developer had started negotiating an EPA with BC Hydro in a previous call, but never developed the project, does this preclude the project from being considered in the 2002/03 GPG RFQ because of the Mandatory Requirement "Previous EPAs?"

In applying the Mandatory Requirement "Previous EPAs," BC Hydro would likely consider:

- First, whether a signed EPA (not a key principles agreement) existed between the developer or any of its affiliates and BC Hydro in any project; then
- Second, whether the project described in the signed EPA used the same type of energy source and was to be located in the same area as the project described in the 2002/03 GPG Qualification Statement; then
- Third, whether that signed EPA was terminated within 24 months prior to the date of filing of the 2002/03 GPG Qualification Statement; then
- Fourth, whether the developer or any of its affiliates held a direct or indirect interest of more than 10% in the project defined in the signed EPA.

If the BC Hydro evaluation is not able to confirm any of the above conditions, then it is likely that the project would meet the Mandatory Requirement for "Previous EPAs."

For the Project Criteria "Technical Capability," isn't BC Hydro favouring companies with existing EPAs with BC Hydro in its assessment of the track record of the developer? If the developer has not successfully completed an EPA with BC Hydro, does that mean BC Hydro will favour another developer that does have that experience with BC Hydro?

In evaluating for Technical Capability, BC Hydro will consider not only the track record of the developer, but the owners, operators and consultants and their choice of technology. BC Hydro will consider the proven project development and operations track record of the assembled

project team with particular emphasis on projects that employ similar technology and that are similar in size to the proposed project. The track record of the project team need not be with projects developed in B.C.; however, BC Hydro may give preference to project teams with experience with developing projects in B.C. on the basis that they have a higher likelihood of the project achieving commercial operation by its target Commercial Operation Date.

If a project is located within the Aquila system in B.C., can the project be interconnected to Aquila and sell the power to BC Hydro?

Yes. However, it is the developer's responsibility to arrange delivery to BC Hydro's integrated system.

If a developer submits Qualification Statements for multiple projects for the 2002/03 GPG RFQ, would BC Hydro penalise any of these projects when evaluating the Qualification Statements against the 2002/03 GPG Eligibility Requirements?

BC Hydro will consider the developer's ability to develop and finance multiple projects when applying the Project Criteria. Therefore, developers are encouraged to submit information, plans and strategies on how they will develop and finance multiple projects as part of their Qualification Statement for each project.

How critical are "Financial Capability" and "Technical Capability" compared to "2002/03 GPG Green Criteria" in BC Hydro's evaluation of the Project Criteria?

BC Hydro will evaluate according to all of the Project Criteria; therefore, developers are encouraged to submit complete and thorough answers for all of the criteria.

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Is there any benefit, in terms of evaluation criteria, of having First Nations partial ownership of an independent power producer (IPP)? Would the weighting or evaluation be different if there was just support (i.e., letter of support) or proof of participation from First Nations?

The 2002/03 GPG RFQ outlines the process for assessing the proponent's likelihood of meeting the applicable low impact criteria and the social responsibility criteria. The IPP requirements for communication with the aboriginal community are outlined in the 2002/03 GPG Green Criteria – Socially Responsible Facilities Criteria. The IPP must demonstrate how they intend to meet, or have met the descriptor "Relevant members of the aboriginal community have been contacted and communicated with allowing for informed decision-making by the aboriginal community." In addition, under the Project Criteria – "Project Development Status," BC Hydro will evaluate the likelihood of a project achieving commercial operation by its target commercial operation

date (COD). In evaluating projects against these criteria, BC Hydro has no preference, and will not give any additional weight, with respect to the manner in which each IPP complies with the Socially Responsible Facilities Criteria or the steps each IPP takes to ensure that its project will achieve commercial operation by its target COD.

However, as stated in the 2002/03 GPG RFQ, "BC Hydro will give preference to those projects that are the most likely to meet the 2002/03 GPG Green Criteria and that are most likely to achieve commercial operation not later than 30 September, 2006." There are many variables that will affect the project achieving its target COD. Therefore, in evaluating projects against the criteria discussed above, BC Hydro will assess information provided on all of these variables, including the advancement of communications with First Nations, to evaluate a project's relative level of advancement.

November 18, 2002

Will BC Hydro consider undeveloped hydroelectric projects? For instance, will you accept a detailed assessment of a potential hydroelectric source as a submission?

Projects at all stages of development are eligible to submit a 2002/03 GPG Qualification Statement. In deciding whether to submit a 2002/03 GPG Qualification Statement, developers may want to consider if their project is capable of meeting the Mandatory Requirements (see: 2002/03 GPG Eligibility Requirements) as eligible projects must meet these requirements. Developers may also want to consider the fact that in applying the Project Criteria (see: 2002/03 GPG Eligibility Requirements) at the 2002/03 GPG RFQ stage, BC Hydro will give preference to those projects that are the most likely to meet the 2002/03 Green Criteria and those that are most likely to achieve commercial operation not later than 30 September 2006.

Could you clarify the Mandatory Requirement for *Reasonable Expectation of Rights to Develop or Utilise the Resource* for hydrology projects? If the proponent is "second in line" in the water licensing process with regards to the submission date for a water license application, will the proponent still meet this Requirement?

For this Mandatory Requirement, BC Hydro's Requirement is as stated on page 7 in the 2002/03 GPG RFQ: "In the case of hydrology projects, by the date of submission of the 2002/03 GPG Qualification Statement, the developer has filed with the appropriate Land and Water B.C. Service Centre all the necessary elements required to complete Step 1 of the *Land Act* and *Water Act* application process (refer to the Waterpower Guide Book at the following Land and Water B.C. website: www.lwbc.bc.ca)."

The criterion for this Requirement would be evidence that the proponent has filed the necessary elements required to complete Step 1 of the *Land Act* and *Water Act* application process with the appropriate Land and Water B.C. Service Centre.

If proponents are "second in line" in the water licensing process, they can submit information on their plan or strategy to obtain all relevant licenses by their Target Commercial Operation Date (COD) as part of their 2002/03 GPG Qualification Statement. This information will be considered by BC Hydro in their evaluation of the Project Development Status and the likelihood of the project achieving commercial operation by its target COD.

Could you clarify the intent of the paragraph regarding the Mandatory Requirement for *Previous EPAs*? Specifically, are multiple projects of similar ownership within the same watershed precluded, and can an IPP submit Qualification Statements for two projects that use water from the same watershed?

The intent of the paragraph on *Previous EPAs* is to preclude developers and affiliates from submitting a 2002/03 GPG Qualification Statement or tendered bid in the 2002/03 GPG CFT for a project with an existing electricity purchase agreement. Specific restrictions in this regard are as outlined in the 2002/03 GPG RFQ, page 7.

Could BC Hydro provide examples of project evaluations to assist proponents in preparation for the 2002/03 GPG RFQ Workshop and the Qualification Statements?

BC Hydro will entertain questions and answers on the Mandatory Requirements and Project Criteria at the Workshop. These questions and answers will also be posted on our website.

BC Hydro will also provide examples of how Bid Prices will be ranked during the 2002/03 GPG CFT and project pricing during presentations at the 2002/03 GPG RFQ workshop. For interested parties who are not able to attend the workshop, copies of the presentations will be posted on our website.

2002/03 GPG Qualification Statement

December 9, 2002

The 2002/03 GPG Qualification Statement, Section 5.3 (g) (vii) "Social Responsibility" asks developers to explain how the facility plans to meet the 2002/03 GPG Green Criteria: Socially Responsible Facilities, including a description of any communications planned or already completed with the aboriginal community. Would a signed letter from the First Nations, which states their approval of and support for the project, be sufficient evidence for this question? Or does BC Hydro require all of the compliance evidence outlined in the 2002/03 GPG Green Criteria: Socially Responsible Facilities under the principle "Aboriginal Community?"

When applying the Project Criteria "2002/03 GPG Green Criteria," BC Hydro will give preference to those projects that submit the most complete information and that BC Hydro determines are most likely to meet the 2002/03 GPG Green Criteria. When preparing the Qualification Statement, the developer should consider BC Hydro's preferences when deciding on the level of information to provide for Section 5.3 (g) (vii).

Section 2 of the 2002/03 GPG Qualification Statement asks developers to provide a line diagram of their facility. Could you explain what is required for a line diagram of a hydroelectric facility?

The line diagram should include all existing or proposed generating facilities and associated fuels, and any other associated facilities and infrastructure, including associated transmission lines.

In Section 4.4 of the 2002/03 GPG Qualification Statement, developers are asked to provide Project Capacity and Contracted Capacity. If the developer sells 100% of the energy output of the plant to BC Hydro, are Project Capacity and Contracted Capacity the same? Similarly, are Project Energy and Contracted Energy the same if the developer sells 100% of the output to BC Hydro? Should capacity and energy figures be provided on a monthly or annual basis?

Yes. Project Capacity and Contracted Capacity would be the same figure, if 100% of the output were sold to BC Hydro. The same is true for Project Energy and Contracted Energy.

For the 2002/03 GPG Qualification Statement, capacity and energy figures can be provided on a monthly or annual basis.

What is required for Section 6.2 (b) (xi) "Scientific Analysis" with regards to project status? Is the information requested duplicative of the information requested under Section 5.3 "2002/03 GPG Green Criteria?"

In Section 6.2 (b) (xi) "Scientific Analysis," BC Hydro is looking for a description of the major environmental studies and analyses completed and a development schedule for those forthcoming in order to evaluate project development status.

In Section 5.3, BC Hydro is looking for actual copies of the scientific analyses completed for the project to determine whether the project is likely to meet the 2002/03 GPG Green Criteria.

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In the 2002/03 GPG Qualification Statement, Section 9.1 states that "BC Hydro will consider information provided [on the financing plan], such as the expected capital structure for the project, sources of debt and equity and the form of the equity investment (e.g., private equity, CRCE flow-through shares) as well as any government grants, loans or tax incentives that you expect to be eligible for." Does BC Hydro want official verification provided from each investor at this phase, or will you accept a summary of such information?

BC Hydro does not require official verification from each investor at this stage, but must be given reason to have confidence in the proponent's ability to finance the proposed project. A project with a significant deficiency may be disqualified.

If proponents are uncomfortable providing BC Hydro with confidential, private financial information, then the use of accredited, third party professionals to provide objective and explicit opinions regarding the proponent's financial capability will be considered as an acceptable alternative.

If a proponent has received a letter from Land and Water British Columbia Inc. acknowledging the proponent has completed Step 1, can this letter be provided as evidence for 2002/03 GPG Qualification Statement section 4.5 (a), rather than providing all of the information that was submitted to LWBC?

An addenda has been made to the 2002/03 GPG RFQ related to this question. Please download the 2002/03 GPG RFQ Addenda from the [Green IPP](#) main page.

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In the 2002/03 GPG Qualification Statement, Section 5.3 (a) (iii) asks hydroelectric facilities to "provide your minimum flow (subject to agency confirmation) and explain how it is adequate to support indigenous aquatic and riparian species at pre-project ranges." We have been advised that regulatory agency confirmation will now rely on official endorsement by appropriately qualified professionals. Is BC Hydro in agreement with this and will endorsement by appropriately qualified professionals satisfy BC Hydro requirements for determining the adequacy of minimum flows provided by project proponents?

Regarding the adequacy of flow regimes, BC Hydro is looking for confirmation by a reputable scientist or regulatory agency that a project minimum flow has been established and that the flow regime is adequate to support indigenous aquatic and riparian species at pre-project ranges. BC Hydro would expect that the appropriate flow regime for the project would be established in consultation with the regulatory agencies and would be reflected in the operating conditions in the conditional water license. In the event that regulatory concurrence has not yet been received,

BC Hydro will accept the evidence on the appropriate flow regime, subject to agency concurrence.

Please reference the 2002/03 GPG Green Criteria: Low Impact Hydroelectric Facilities (pages 61, 63) for more information on the Compliance Evidence required by BC Hydro to establish the adequacy of flow regimes.

Do you require a registered professional biologist to sign off that there are no fish or other ecological impacts associated with projects that are completely within a municipal water system? In this case there is no diversion of any kind. The generation is located within an existing pipe that feeds an existing reservoir. And if so, is this required at the RFQ stage?

Yes, we do require a registered professional biologist (or equivalent) to confirm that there are no fish or other ecological impacts associated with projects that are completely within a municipal water system. The required confirmations and assessments are outlined on pages 58-68 of the 2002/03 GPG RFQ, in the "2002/03 GPG Green Criteria: Low Impact Hydroelectric Facilities" section.

As noted in the 2002/03 GPG RFQ, we request as much evidence as possible regarding how you meet the Low Impact Criteria for your technology and the Socially Responsible Facilities Criteria, but it is not mandatory that you have all your confirmations or studies complete. This information will be required shortly after signing the Electricity Purchase Agreement.

Please note, however, in selecting the short-list of projects eligible to submit a bid, we will be giving preference to projects that provide the most complete information and are most likely to meet the 2002/03 GPG Green Criteria.

Green Criteria

December 9, 2002

Consider a situation in which the developer is planning to develop a micro hydro project in an existing irrigation system. When applying the 2002/03 GPG Green Criteria, does BC Hydro only consider the incremental environmental impacts of the power generation, not the impacts of the existing irrigation system? For example, in Section 5.3 (a) (i) of the 2002/03 GPG Qualification Statement, what fish impacts need to be addressed for this project?

For hydroelectric projects that utilise existing infrastructure, BC Hydro would apply the 2002/03 GPG Green Criteria: Low Impact Hydroelectric Facilities to the incremental environmental

impacts of the power generation facility. This would include not only impacts associated with the construction of the physical facility, but also any impacts associated with operations (this could extend to the irrigation system if operation of the irrigation system were to be altered by the installation of the generation project).

For this type of project, BC Hydro would look for evidence from a reputable scientist (R.P.Bio) or regulatory agency on what the incremental environmental impacts of the power generation facility would be, and secondly confirmations by the reputable scientist that the impacts would meet the 2002/03 GPG Green Criteria: Low Impact Hydroelectric Facilities (according to Descriptor and Compliance Evidence/Measure).

In the 2002/03 GPG Green Criteria: Low Impact Hydroelectric Facilities (p. 61), one of the compliance measures for the descriptor "Facility preserves resident fish communities" is to submit a copy of the "final design drawings that illustrate the technologies, structures or measures installed to maintain resident fish communities' natural migration patterns." Would BC Hydro be satisfied with feasibility level design drawings at this stage?

BC Hydro understands that most developers will not have final design drawings at this stage; therefore, developers should submit the information they have on hand.

As stated in the 2002/03 GPG RFQ, however, BC Hydro will give preference to projects that submit the most complete information and that BC Hydro determines are most likely to meet the 2002/03 GPG Green Criteria. Therefore, the projects of developers who are able to submit final design drawings may be deemed as being more complete or more likely to meet the 2002/03 GPG Green Criteria.