

**ADDENDUM**

**Number:** 4

**Issue Date:** September 22, 2008

**Subject:** New Process Documents Issued  
Information Documents Issued  
Evaluation Criteria Amended  
Proposal Requirements – Number of Document Copies  
Precedence of RFP Process Documents and Q&As  
Proposal Variations  
Documents Issued Concurrently with this Addendum

Words and phrases defined in the RFP and used in this Addendum have the meanings given in the RFP, unless otherwise defined herein. References to section numbers mean sections of the RFP, unless otherwise specified.

**1. New Process Documents Issued**

The following RFP process documents are issued and posted with this Addendum:

- Specimen EPA, setting out BC Hydro’s preferred electricity purchase agreement terms and conditions,
- Specimen EPA Adaptations Guide, outlining how the Specimen EPA will be modified to adapt it to certain scenarios,
- Proposal Letter form (Schedule 8), being the form of letter required to be submitted with a Proposal,
- Commercial Proposal form (Schedule 9), being the form on which price and other non price terms are to be quoted in a Proposal,
- Project Description Requirements (Schedule 10), outlining the format and content of Proponent and Project information expected to be included in a Proposal, and
- Energy Source Data Requirements (Schedule 11), outlining the format and content of information relative to a Project’s energy source (e.g., water, wind, etc.) expected to be included in a Proposal.

The Specimen EPA reflects generally the EPA Term Sheet (Schedule 7), but contains some changes. The Specimen EPA entirely replaces and supersedes the EPA Term Sheet, which will not be revised or updated and should not be relied upon in preparing a Proposal.

**Proponents should review all these documents carefully.**

**2. Information Documents Issued**

The following information documents are issued and posted with this Addendum:

- Updated price levelization model to perform calculations up to and including December 2060 (replacing the document labeled “Sample Calculations – Price Levelization Model” issued under Addendum 2 on August 15, 2008),
- Updated sample calculation showing adjustments to the Firm Energy profile under the 5-year Firm Energy reset provision in the Specimen EPA to include Performance Security adjustments (replacing the document labeled “Sample Calculations – Firm energy Adjustments” issued under Addendum 2 on August 15, 2008).

### **3. Evaluation Criteria Amended**

Section 18 (Evaluation Criteria) of the RFP is amended by deleting the second bullet following the third full paragraph, which bullet reads “Wind integration costs on a portfolio basis”. Note that the Wind Integration Adjustment on a Project basis set out in the second bullet under the first full paragraph of section 18 continues to apply.

### **4. Proposal Requirements – Number of Document Copies**

The number of copies of certain Proposal documents is reduced from 6 to 4. The Proposal Letter form (Schedule 8) governs over section 15 of the RFP on this point.

### **5. Precedence of RFP Process Documents and Q&As**

Proponents should note that later Addenda govern over the original RFP and any earlier Addenda and posted Q&As. BC Hydro will not amend or correct earlier posted Addenda and/or posted Q&As to reflect the terms of later Addenda.

### **6. Proposal Variations**

Section 14 (EPA Terms and Conditions) of the RFP is amended to read:

An EPA Term Sheet is set out in Schedule 7. **The term sheet is a summary of BC Hydro’s preferred terms and conditions.** BC Hydro will provide by way of posting to the RFP Website a definitive Specimen EPA by the time indicated in the RFP Schedule.

Proponents may, but are not required to, submit with their Proposals variations to the Specimen EPA.

Except as noted below, BC Hydro will consider variations to the Specimen EPA, which:

- Are demonstrably necessary to enable the Proponent to design, build and operate its Project in compliance with the EPA (“Essential Variations”), or
- Will demonstrably enable the Proponent to provide to BC Hydro better value for money (“Value Variations”).

It is very important that Proposals distinguish between Essential Variations and Value Variations, if any. A variation not clearly so designated will be deemed to be an Essential Variation.

**Essential Variations are not options.** Prices quoted in a Proposal include all Essential Variations, and except as otherwise agreed between BC Hydro and the Proponent, BC Hydro may accept the offer constituted by the Proposal only with the Essential Variations.

**Value Variations are options.** They may be presented with or without a discount or premium by reference to the prices quoted in the Proposal. Prices quoted in a Proposal do not include any Value Variations, unless no separate price is quoted for the Value Variation. BC Hydro may accept the offer constituted by the Proposal either (i) without any or all Value Variations, or (ii) with one or more Value Variations, in which case any associated price discounts or premiums quoted in the Proposal will apply.

BC Hydro will not consider and may disqualify Proposals containing Essential Variations to the Specimen EPA, which:

- Depart from the Firm Energy and Non-Firm Energy pricing structure, including (i) the permissible Non-Firm Energy pricing options, (ii) the application of a single Firm Energy Price throughout the term of the EPA (subject to quoted escalation), (iii) the use of the Consumer Price Index for British Columbia, All Items (Not Seasonally Adjusted) as published by Statistics Canada, all set out in the Specimen EPA,
- Reduce, condition or otherwise vary or limit the liquidated damages payable in accordance with the Specimen EPA, or modify the 5-year Firm Energy reset provision of the Specimen EPA, both applicable to shortfalls in delivery of energy by reference to the Firm Energy profile quoted,
- Reduce, condition or otherwise vary or limit the liability limitations and exclusions under the Specimen EPA,
- Change the treatment of energy delivered in the System Freshet (as defined in the Specimen EPA) or the definition of System Freshet, including the constraint on System Freshet energy designated as Firm Energy in the Firm Energy profile submitted with the Proposal,
- Define Firm Energy by reference to any period longer than the “seasonally Firm Energy” periods specified in the Specimen EPA or vary the definition of seasons for that purpose,
- Change the requirement that all environmental attributes be transferred to BC Hydro, or
- Change the amount of the Performance Security and/or the Interconnection Security (both as defined in the Specimen EPA) required under the EPA, or the amount by which such security reduces, or the conditions of reduction, or terms of escalation of the amount of such security, or
- Consist of:
  - “Dispatch Rights”, that is the right of BC Hydro to dispatch generation at the Proponent’s plant, or
  - “Residual Rights Offers”, that is proposals of the type described in section 13.

**Proponents should ensure that their Proposals contain no Essential Variations of the foregoing nature. Variations of the foregoing type may be submitted, and may be considered as Value Variations, provided that a priced and completed “base Proposal”, excluding such variations, is also submitted.**

Variations should be submitted in the form of a redlined version of the Specimen EPA, with a brief commentary indicating (i) whether variations are Essential Variations or Value Variations, and (ii) the reasons for the variations. In the case of Value Variations, Proponents should also outline how the variation provides better value for money to BC Hydro. BC Hydro will provide with the Specimen EPA a downloadable Word version suitable for inputting and designating variations, with commentary, to facilitate Proposal preparation.

**Essential Variations will be considered in the evaluation of Proposals. BC Hydro may also consider Value Variations.**

Proponents are strongly encouraged to submit Proposals that conform to the preferred terms and conditions, and to limit variations to substantive matters of significant importance or value, but excluding Essential Variations in the nature of the matters listed above.

Proposals constitute offers to enter into an EPA without discussion or negotiation. Consequently, variations, if any, should be limited to Essential Variations and Value Variations, and reflected in specific agreement wording. BC Hydro anticipates the receipt of a significant number of Proposals, which will be evaluated in a limited time. Proponents are cautioned that while the RFP Schedule contemplates that BC Hydro may conduct post-Proposal discussions, including negotiations, with some, but not necessarily any or all Proponents, BC Hydro anticipates that EPAs may be awarded without significant or any post-Proposal discussion/negotiation.

Any discussions, including negotiations, will be strictly scope and time-disciplined, requiring that BC Hydro give priority to consideration of variations, if any, that are very clearly expressed, supported by a credible rationale, and are either Essential Variations, or Value Variations, both as defined above. Refer also to section 17.

## **7. Documents Issued Concurrently with this Addendum**

Proponents should download the following documents issued concurrently with this Addendum:

- Specimen EPA
- Specimen EPA Adaptations Guide
- Proposal Letter form (Schedule 8)
- Commercial Proposal form (Schedule 9)
- Project Description Requirements (Schedule 10)
- List of Anticipated Permits form (Schedule 10, Attachment 2)
- Overview of Proponent's Financing Plan form (Schedule 10, Attachment 3)
- Energy Source Data Requirements (Schedule 11)
- Updated price levelization model
- Updated sample calculation re Firm Energy adjustments under the 5-year Firm Energy reset provision to include Performance Security adjustments