

BC HYDRO

BIOENERGY CALL FOR POWER – PHASE I

REQUEST FOR PROPOSALS

Issue Date: February 6, 2008

1. INVITATION

BC Hydro invites proposals for the supply of electrical energy generated from Forest-based Biomass by Projects located in British Columbia.

Projects may be “greenfield” generation Projects or Projects undertaken by Customers to utilize Forest-based Biomass in the generation of electrical energy. See section 14 for further eligibility details.

BC Hydro targets approximately 1,000 GWh/year of firm energy to be procured under this Call, Phase I. This target is subject to revision during the RFP process.

This RFP is not a call for tenders. This RFP and/or the submission of a Proposal and/or the exercise by BC Hydro of any discretion in the conduct of the RFP process, including the review and evaluation of Proposals, and/or selection of successful Proposals, creates no contractual or other legal relationship, liability or obligation whatsoever between or among BC Hydro and any other person, whether or not such person submits a Proposal, except only the obligation of Proponents to be bound by the general terms and conditions set out in section 22 pursuant to the compliance commitment set out in a Registration Form and/or a Proposal. Except as aforesaid, no such contractual or other legal relationship, liability or obligation whatsoever arises between BC Hydro and any Proponent unless and until a definitive EPA is fully executed and delivered.

2. INTERPRETATION

2.1 **Definitions:** Certain capitalized words and phrases used in this RFP are set out in Appendix 1.

2.2 **Currency:** References to dollars or \$ means Canadian currency, unless otherwise stated.

3. RFP CONTENTS

The RFP includes the following appendices:

- Appendix 1 Definitions
- Appendix 2 Registration Form
- Appendix 3 Form of Proposal Letter
- Appendix 4 Project Description Requirements
- Appendix 5 Fuel Plan Requirements

- Appendix 6 BC Hydro Code of Conduct

BC Hydro may amend the RFP, including Appendices, from time to time by the issue of Addenda.

4. BACKGROUND

On January 31, 2008, the Government of British Columbia released its Bioenergy Strategy (details of which can be found at www.energyplan.gov.bc.ca/bioenergy). This RFP is the first of a two-phase Bioenergy Call for Power referenced in the strategy, focusing on existing biomass inventory in the forest industry.

5. COMMUNICATIONS

All pre-Proposal submission communications with BC Hydro regarding this RFP should be directed to the RFP Administrator as follows:

BC Hydro
10th Floor, 333 Dunsmuir Street
Vancouver, BC
V6B 5R3
Attention: RFP Administrator

email: bioenergy.call@bchydro.com
fax: 604.623.4335

Other than with respect to matters relating to interconnection, Proponents should not contact directly other BC Hydro directors, officers, employees or advisors concerning matters related in any way to this RFP, except as directed or authorized through the RFP Administrator.

Communications from Proponents should originate from their contact person specified upon registration. Contact persons can be changed by notice to the RFP Administrator. Proponents should communicate in writing (which may include e-mail).

BC Hydro will notify Proponents with whom BC Hydro decides to conduct negotiations following Proposal submission of the communications protocol applicable to that phase of the RFP process.

BC Hydro will not be responsible for any instructions or information given to any Proponent except as made or authorized through the RFP Administrator.

6. REGISTRATION

Persons who intend to submit a proposal are required to register their interest using the Registration Form set out in Appendix 2.

The Registration Form includes a commitment to be bound by the general terms and conditions set out in section 22.

The Registration Form also includes a consent to disclosure of Project-related information, including interconnection and transmission study data and results, between BC Hydro and BCTC. This consent is required to facilitate interconnection and transmission studies and proper evaluation of Proposals.

Finally, the Registration Form requires summary information regarding the Proponent and its Project.

Complete all the information called for by the Registration Form. The Registration Form should be signed by an authorized signing officer of the registrant.

The Registration Form should be accompanied by a registration fee in the amount of \$10,000, which is non-refundable. The fee may be paid by cheque payable to “British Columbia Hydro and Power Authority” or “BC Hydro”.

Registration Forms, together with the registration fee, should be delivered to the RFP Administrator at the address indicated in section 5 on or before **March 7, 2008**. Registration by the foregoing date is not mandatory, and BC Hydro may accept late registration.

Upon receipt of a properly completed and signed Registration Form and the required fee, the RFP Administrator will confirm registration to each registrant.

Registration does not oblige a Proponent to submit a Proposal. However, registration will assist BC Hydro in communicating with Proponents throughout the RFP process.

Persons who fail to register and pay the required fee may not have access to the RFP Website, Addenda, Q&As, FAQs or other information and may not otherwise receive further communications from BC Hydro concerning the RFP process.

BC Hydro will not consider Proposals submitted by unregistered persons.

Proponents who decide not to submit a Proposal are requested to so notify the RFP Administrator to cancel the registration.

7. RFP SCHEDULE

BC Hydro intends to conduct the RFP process on the following schedule:

EVENT/ACTIVITY	SCHEDULED DATE(S)
Issue of EPA Term Sheet	February 29, 2008
Proponents Submit Application to BC Hydro (for Distribution System-connected Projects) for a Preliminary Interconnection Study (section 12).	February 29, 2008
Registration	March 7, 2008
Submission of Customer GBL data	March 7, 2008

Proponents Submit Application to BCTC (for Transmission System-connected Projects) for a Feasibility Interconnection Study (section 12).	March 7, 2008
Proponent Information Session	March 26, 2008
Filing of Preliminary Interconnection Study agreements with BC Hydro for Distribution System-connected Projects (4:00 p.m. PPT)	March 31, 2008
Filing of Feasibility Interconnection Study agreements with BCTC for Transmission System-connected Projects (4:00 p.m. PPT)	April 7, 2008
Notice to Customers of GBL	May 2, 2008
Issue of Specimen EPA	May 2, 2008
Proposal submission (4:00 p.m. PPT)	June 3, 2008
Release of Feasibility Interconnection Study or Preliminary Interconnection Study, as applicable	June 20, 2008
Proponents notified of short list (optional)	June 27, 2008
Negotiation, Final Evaluation, EPA signing Phase	July 2, 2008 – October 15, 2008

8. RFP WEBSITE

BC Hydro will establish a website to which Proponents will have access during the conduct of the RFP.

The RFP Website will provide access to the RFP, including Appendices, Addenda, the EPA Term Sheet and Specimen EPA, as well as other important communications from BC Hydro to all Proponents.

The RFP Website will also provide access to Q&As, FAQs and other information of interest to Proponents.

9. ADDENDA

BC Hydro may amend and/or supplement the RFP, including particularly the RFP Schedule and the Appendices, at any time by issue to all Proponents of an Addendum. Addenda will be sequentially numbered and posted to the RFP Website.

Proponents should check the RFP Website frequently. Proponents will be expected to confirm receipt of all Addenda in their Proposal Letter.

10. Q&As, FAQs AND SUPPLEMENTARY INFORMATION

Proponents may submit questions regarding the RFP process and related matters to the RFP Administrator. Questions should be in writing (including e-mail). Questions raising issues of potential general interest to all Proponents and answers will be posted to the RFP Website, without express attribution to the Proponent submitting the question, as a Q&A series. BC Hydro reserves the right to edit questions for clarity and application to Proponents generally.

BC Hydro may post FAQs to the RFP Website, and other information of interest to Proponents.

Proponents should check the RFP Website frequently for Q&As, FAQs and other information of interest.

11. PROPONENT INFORMATION SESSION

BC Hydro will convene a Proponent information session on the date indicated in the RFP Schedule. Further details of the session time, place and agenda will be notified to Proponents by Addenda.

Attendance at the session is strongly encouraged, but is not mandatory.

BC Hydro does not undertake to publish a transcript or report of the Proponent information session, or to distribute to Proponents any presentation or other materials made available to attendees at the session.

12. INTERCONNECTION MATTERS

For the purposes of this RFP, the interconnection process will follow the interconnection procedure for CEAP as described in OATT Attachment P, filed June 8, 2007 by BCTC with the BCUC (in compliance with Directive #20 of the BCUC's Decision accompanying Commission Order G-58-05 concerning BCTC's OATT application).

A signed Feasibility Interconnection Study agreement with BCTC (for Transmission-System connected Projects) or a signed Preliminary Interconnection Study agreement with BC Hydro (for Distribution System-connected Projects), together with the required study fee deposit, must be filed with BCTC or BC Hydro, as applicable, on or before **4:00 p.m., PPT**, on or before the applicable date shown in the RFP Schedule. Any signed interconnection study agreements that have been entered into pursuant to this RFP and that are filed before the applicable deadline will be deemed to have been received on the deadline.

In order to ensure that a signed interconnection agreement is filed by the applicable deadline, Proponents should complete and file an interconnection application with BCTC or BC Hydro, as applicable, on or before the date indicated in the RFP Schedule. The cost of the interconnection study, and any subsequent studies necessary to maintain the Project's position in the interconnection queue, will be borne by the Proponent.

All Projects participating in the call will be studied on a stand-alone basis, using the same base case (i.e. having the same queue position). Prior studies will not be accepted. Proponents submitting Proposals involving existing generators, including Proponents with existing

interconnection agreements for existing generation, will still be required to file a signed interconnection study agreement for the new incremental generation by the applicable deadline.

Each completed interconnection study will be provided to the Proponent on or before the date shown in the RFP Schedule. The study, together with such other information developed or available to BC Hydro, should demonstrate that the interconnection facilities for the Project are anticipated to be completed by not later than 90 days prior to the Guaranteed COD (to be defined in the EPA).

BC Hydro will be responsible for interconnection and transmission costs on the transmission or distribution side of the POI, as applicable, for the Project. BC Hydro's cost responsibility will be based on the Project as described in the completed interconnection study. The Proponent will be responsible for any additional interconnection and/or transmission costs arising from any changes made to the Project, including Project size, POI and schedule, described in the completed interconnection study.

A successful Proponent will be required to post security after EPA signing referenced to the estimated interconnection costs as provided in the completed interconnection study.

Each Proponent must withdraw its prior application accepted by BCTC, if any, for interconnecting the associated Project to the BCTC transmission system pursuant to BCTC's Standard Generator Interconnection Procedures as described in the OATT.

BCTC, in consultation with BC Hydro, will convene a Proponents' interconnection information session prior to the date on which interconnection study applications must be filed. Proponents will be advised of the time and place of the session.

BC Hydro will have access to interconnection study applications and data under the consent referenced in section 6.

13. CUSTOMER GBL

Customers intending to submit a Proposal involving incremental self-generation servicing their industrial load must have their existing generation base line (“**GBL**”) determined by BC Hydro to confirm eligibility. Customers must provide data required by BC Hydro to determine the Customer's GBL for the applicable industrial facility or facilities.

BC Hydro will notify Customer Proponents of BC Hydro's data requirements, which Customers should submit to the RFP Administrator, all by the dates indicated on the RFP Schedule.

14. ELIGIBLE PROJECTS

BC Hydro will consider Projects that meet the following eligibility requirements:

- Fuel Type: Forest-based Biomass, including mill solid wood residues (hog fuel, sawdust, chips and/or chunks), pulp mill residues (hog fuel and black liquor), roadside and landing residues, and biomass derived from standing timber, without access to new timber harvesting tenure.

- Location: Projects to be located in British Columbia, excluding Fort Nelson and other areas of the Province from which BC Hydro would be required to transmit energy through another out-of-province jurisdiction to the Lower Mainland.
- Technology: Projects must use “proven” generation technologies. Nuclear technology is not eligible. “Proven” technologies are generation technologies, which are readily available in commercial markets and in commercial use (not demonstration use only), as evidenced by at least three generation plants (which need not be owned or operated by the Proponent) generating electrical energy for a period of not less than three years, to a standard of reliability generally required by good utility practice and the terms of the EPA.
- Clean: Entire output from the Project must qualify as “clean energy” in accordance with guidelines to be published by the British Columbia Ministry of Energy, Mines and Petroleum Resources. The guidelines will be available at the following website: www.em.gov.bc.ca/AlternativeEnergy.
- Project Type:
 - New (i.e. “greenfield”) generation Projects, or incremental generation from new generating units at existing generation plants currently synchronized with the System, which are not servicing directly a Customer industrial load (i.e. IPP Projects), or
 - New self-generation, or incremental self-generation, in any event excess of the Customer’s GBL at a Customer’s facility to serve the Customer’s industrial load at the facility (i.e. load displacement) and/or effect net energy export to the System (i.e. Customer Projects), but excluding generation projects, where the current output is under contract through a load displacement or demand side management agreement with BC Hydro.
- Metering: Project output must be capable of being metered separately or alternate measures must be available to accurately determine delivered energy for billing purposes.
- Point of Interconnection: Project must have a point of interconnection on the System. Projects with indirect interconnections (including through a private transmission line, transmission service within British Columbia through a utility, other than BC Hydro or BCTC, or a BC Hydro customer interconnection) are eligible.
- Interconnection Study Agreement: An executed Feasibility Interconnection Study agreement or Preliminary Interconnection Study agreement must be filed, together with the required deposit by the date set out in the RFP Schedule. See section 12 for further details.
- Existing Contracts: None of the capacity or energy from the Project under an existing contract to BC Hydro is eligible, unless the contract can be lawfully terminated by the Proponent shortly after the call is issued. None of the capacity or energy from the Project under a contract to any other party is eligible, except for contracts that can be lawfully terminated by the Proponent prior to the Guaranteed COD (to be defined in the EPA).

15. EPA TERMS AND CONDITIONS

BC Hydro will provide to all Proponents an EPA Term Sheet setting out in summary form key terms and conditions of the proposed Specimen EPA. The term sheet will be reviewed at the Proponents' information session.

Following the session, BC Hydro will provide to all Proponents a Specimen EPA by the time indicated in the RFP Schedule.

See the RFP Schedule for expected delivery dates for the EPA Term Sheet and Specimen EPA.

The Specimen EPA represents BC Hydro's preferred terms and conditions. Proponents are strongly encouraged to submit Proposals that conform to the preferred terms and conditions. Proponents are further cautioned that the RFP Schedule contemplates **scope and time-disciplined** negotiations which will require that priority be given to consideration of variations, if any, that enhance the cost effectiveness to BC Hydro of Proposals, or otherwise respond to the evaluation criteria outlined in this RFP.

Proponents may submit as part of their Proposals proposed variations to optimize cost effectiveness for BC Hydro. Variations should be submitted in the form of a redlined version of the Specimen EPA, and a brief commentary describing the reasons and benefits of proposed variations to BC Hydro's preferred terms and conditions. Proponents may download a Word version of the Specimen EPA from the RFP Website after the document is posted.

16. PROPOSAL REQUIREMENTS

Proposals must be delivered to the RFP Administrator at the address indicated in section 5 on or before **4:00 p.m. PPT** on the scheduled date for Proposal submission as shown on the latest RFP Schedule. Check the RFP Website for the currently scheduled date. BC Hydro's time/date stamp recording Proposal receipt will be conclusive.

Late submitted Proposals will not be considered and will be returned to the Proponent unopened.

Proposals should be submitted in a sealed package marked "BC Hydro Bioenergy Call for Power – Phase I, Proposal of [insert name of Proponent]", and bear a return address.

Proposals should include:

- A Proposal Letter in the form of Appendix 3, in **one original** signed by an authorized signatory of the Proponent,
- A Project Description containing information concerning the Proponent and the Project as required by Appendix 4, **in six hard copies and one soft copy (on a CD-ROM)**,
- A Fuel Plan containing the information required by Appendix 5, **in six hard copies and one soft copy (on a CD-ROM)**,

- Variations Proposal (optional), containing a redlined version of the Specimen EPA, and a brief commentary describing the reasons and benefits of proposed variations to BC Hydro's preferred terms and conditions, **in six hard copies and one soft copy (on a CD-ROM)**,
- A Feasibility Interconnection Study agreement or a Preliminary Interconnection Study agreement, as applicable, and the corresponding study if then available.

In preparing the Project Description and the Fuel Plan, Registered Proponents are strongly encouraged to follow the instructions in Appendices 4 and 5 respectively, including section numbering and titling. Proponents should be responsive to the information requirements set out in the Appendices. These documents should be submitted in 8" x 11 ½ " – 3 ring binders.

Proposal Letters submitted by general partnerships, joint ventures, consortia, or otherwise by multiple parties should be signed by a person or persons authorized to bind all partners, consortium members, joint venturers or multiple parties, as the case may be, each of whom will be jointly and severally, and not severally only, liable under any EPA entered into pursuant to this RFP.

Proposals will not be opened publicly. Proposal documents (excluding any proprietary intellectual property embodied therein) become the property of BC Hydro, and will not be returned to Proponents, except in the case of late submitted Proposals.

A Proponent may withdraw its Proposal by written notice to the RFP Administrator at any time before a final form EPA is fully signed and delivered by both parties. A Proposal, once withdrawn, cannot be resubmitted in the same or an amended form.

BC Hydro, in its sole and unfettered discretion, may waive any and all failures of a Proponent or a Proposal to comply with the terms of this RFP. Proponents should note that non-compliance may be considered in BC Hydro's evaluation of Proposals.

17. PRESENTATIONS

BC Hydro may invite in person Project presentations from one or more, but not necessarily all or any, Proponents, and may do so before and/or after short listing.

18. SHORT LIST

Following a preliminary evaluation of Proposals, BC Hydro reserves the right to short list Proponents for participation in the negotiation phase, if any, of the RFP process. Shortlisting will be based on a preliminary evaluation of Proposals using criteria as indicated in section 20. BC Hydro will notify all Proponents on the short list.

BC Hydro reserves the right to amend or dissolve the short list, with notice thereof given to the Proponents.

19. NEGOTIATION, FINAL EVALUATION, EPA SIGNING PHASE

BC Hydro, in its sole and unfettered discretion, may reject any or all Proposals, accept one or more Proposals, conduct negotiations with one or more Proponents, or decline to conduct

negotiations with any or all Proponents. BC Hydro further reserves the right to terminate negotiations with any Proponent at any time. Negotiations with more than one Proponent may be conducted concurrently, in whole or in part, but will not necessarily be concluded at the same time.

Negotiations will be conducted at BC Hydro's offices in Vancouver, B.C., unless BC Hydro determines otherwise.

Negotiations, if any, are expected to be disciplined as to scope and time. BC Hydro reserves the right to limit negotiations to price, matters arising from a Proponent's variations proposal, if any, and such other matters as BC Hydro may determine.

All Proposals, whether or not negotiated, are subject to BC Hydro's final evaluation, approval by BC Hydro's executive management and/or board of directors and signing of a final form EPA. Conclusion of negotiations and approvals will not necessarily occur concurrently as to all successful Proposals.

No legal obligations or liabilities whatsoever will be created or arise between BC Hydro and any Proponent unless and until a final EPA is fully signed and delivered, except only under the compliance commitment set out in the Registration Form and/or the Proposal Letter. Without limiting the foregoing, except as expressly and specifically permitted in the RFP, no Proponent shall have any claim for any compensation of any kind whatsoever, as a result of participating in this RFP, and by submitting a Proposal each Proponent shall be deemed to have agreed that it has no claim.

20. EVALUATION CRITERIA

BC Hydro shall determine in its sole and unfettered discretion the Proposal or Proposals, if any, whether or not negotiated, that are cost-effective, respond adequately to BC Hydro's evaluation criteria to the extent applied by BC Hydro, and are eligible for award of an EPA.

In making this determination, for purposes of short listing and for purposes of final approvals, BC Hydro will consider information contained in, or derived from the Proposals, or otherwise available to BC Hydro, including the levelized price of each Proposal, as proposed, or if applicable as negotiated, and may further consider some or all of the following criteria (which are not necessarily set out in order of relative importance), with such weighting as BC Hydro may determine in its sole and unfettered discretion:

- BC Hydro's assessment of probable fuel availability,
- Increased utilization of existing wood residuals,
- The desirability of minimizing adverse impacts on existing productive uses of Forest-based Biomass,
- Interconnection, transmission and generation impacts and costs, both on a stand-alone and portfolio basis,
- Status of First Nations engagement activities,

- Risk Assessment, including Project development and energy delivery certainty,
- The extent of the Proponent's, or a Proposal's, compliance with the RFP terms,
- Variations from BC Hydro's preferred EPA terms and conditions,
- BC Hydro load/resource balance at the time of evaluation,
- Environmental impacts or benefits,
- Potential for beneficial impacts of generation technology and/or regional diversity,
- Cost effectiveness of comparable, non-RFP alternate resources,
- The Proponent's opportunity cost relative to the Project,
- The profile of hourly firm energy, and
- Other public interest criteria that BC Hydro considers have not otherwise been appropriately addressed in the evaluation.

21. REGULATORY AND LEGAL MATTERS

EPAs awarded under this RFP are “energy supply contracts” under the *Utilities Commission Act* (British Columbia). Accordingly, subject to a valid exemption, if any, obtained by a Proponent, they must be filed with the BCUC under section 71 of that Act. The BCUC may accept the EPAs for filing without convening a public hearing, or the BCUC may convene a hearing. If the BCUC determines, after a hearing, that an EPA is not in the public interest, the BCUC may make an order declaring the EPA to be unenforceable, in whole or in part, or may make any other order it considers advisable in the circumstances.

The foregoing is a very brief and general summary of section 71 of the Act. Proponents should seek their own legal and other professional advice on all legal and regulatory issues associated with the RFP and any EPAs awarded under it.

22. GENERAL TERMS AND CONDITIONS

22.1 **Privilege:** BC Hydro may award an EPA to the Proponent(s) that in BC Hydro's sole and unfettered opinion, offers the resource that best serves the interests of BC Hydro and its ratepayers. The Proposal(s) having the lowest price(s) or lowest cost to BC Hydro will not necessarily be successful. BC Hydro may award no EPAs, or may terminate the procurement process at any time. BC Hydro is not obliged to provide to Proponents reasons for the award of agreements or the rejection of any Proposal, or for termination of the procurement process.

22.2 **Negotiation:** BC Hydro may, but is not obliged to, negotiate prices and/or any or all other terms and conditions of the EPA with one or more, but not necessarily all or any Proponents, and may do so concurrently and/or sequentially. BC Hydro may negotiate different prices, terms and conditions with different Proponents, and is not bound to disclose or offer such prices, terms and conditions to any other Proponent.

22.3 **Further Enquiries:** BC Hydro may, but is not obliged to, require that a Proponent provide further information concerning, or clarification of, its Proposal. BC Hydro may make enquiries of, and rely upon, information obtained from third parties and/or public records relative to the evaluation of any Proposal. BC Hydro may, but is not obliged to, meet with one or more Proponents for the purpose of seeking such information or clarification or conducting negotiations.

22.4 **Code of Conduct:** Each Proponent, by submitting a Proposal, represents and warrants that it has complied, and will comply, with the Code of Conduct Guidelines Applicable to BC Hydro Contracts, attached as Appendix 6.

22.5 **Costs:** Each Proponent is responsible for all costs incurred by it in connection with this RFP, including the preparation and, if applicable, negotiation, of any Proposal, and the settlement and execution and delivery of any agreement arising therefrom, whether or not one or more, or no, Proposals are accepted and whether or not this RFP is terminated at any time before acceptance of any Proposals.

22.6 **Liability Exclusion:** BC Hydro, its directors, officers, employees, advisors and consultants incur no liability whatsoever to any Proponent under or in any manner arising out of, or related to, this RFP, including without limitation the exercise by BC Hydro of any discretion under or in relation to this RFP, save and except only liability assumed by BC Hydro under any fully executed and delivered agreement awarded under this RFP.

22.7 **No Implied Terms:** No terms or conditions whatsoever may be implied in this RFP.

22.8 **Confidentiality:** BC Hydro shall endeavor to keep confidential information provided by Proponents in Proposals or otherwise in writing under or in relation to the RFP, other than information that is, or becomes, in the public domain as a result of disclosures not made by BC Hydro, which are not permitted hereunder. Notwithstanding the foregoing, BC Hydro may disclose information provided by a Proponent (i) to the Government of British Columbia, (ii) to BC Hydro's directors, officers, employees, advisors and consultants on a "need to know" basis, (iii) as BC Hydro may consider necessary or desirable in connection with any regulatory proceeding or matter, (iv) as required to enforce any agreement with a Proponent arising from the RFP, or (v) as required by law. Proponents acknowledge that BC Hydro is subject to the *Freedom of Information and Protection of Privacy Act* (British Columbia), and accordingly, non disclosure of information given to BC Hydro cannot be guaranteed in all circumstances.

22.9 **No Collusion:** Each Proponent, by submitting a Proposal, represents and warrants that its Proposal has been prepared without collusion with any other Proponent, and in particular the price(s), if any, and other elements of its Proposal have been arrived at independently of, and without discussion with, any other Proponent, and the Proponents will refrain from any such collusion or discussion during the entirety of the RFP process (including, without limitation, while BC Hydro is negotiating with any Proponent as contemplated at section 19).

22.10 **No Lobbying:** Each Proponent will direct all communications to BC Hydro relative to the RFP strictly to the person, and in accordance with the communication instructions, set out in section 5. The Proponent will not engage, and will cause its Affiliates not to engage, in lobbying, or otherwise communicating directly to, any other director, officer, employee or agent of BC Hydro, any consultant or advisor to BC Hydro, or any member of the Government of British

Columbia for the purpose of influencing the terms, or outcome, of the RFP. The foregoing does not preclude the Proponent or its Affiliates from normal course communications with BC Hydro and/or the Government of British Columbia as required to further Project permitting and other Project planning and development.

22.11 **Publication:** BC Hydro, in its discretion, may publicize any results of the RFP process, including data regarding bid prices and/or descriptions of unique contract terms, provided that BC Hydro will not attribute results to specific Proponents.

22.12 **Unavailable Service-Providers:** BC Hydro has retained the following service-providers in relation to this RFP. Accordingly, in order to avoid any perceived or actual conflict of interest, Proponents will not retain any such service-provider in relation to this RFP, and if any such service-provider is retained by a Proponent on an unrelated matter, the Proponent consents to such service-provider continuing to provide service to BC Hydro, including if applicable legal advice and representation, relative to the RFP, any agreement arising therefrom, and any related dispute or matter. Unavailable service-providers are:

- Borden Ladner Gervais LLP
- Industrial Forestry Service Ltd.

APPENDIX 1

DEFINITIONS

All references to section numbers are to sections of the RFP document, and not the EPA, unless otherwise expressly stated.

1. “**Addendum**” means an addendum to the RFP issued by BC Hydro pursuant to section 9.
2. “**Affiliate**” means, with respect to any Proponent, any person directly or indirectly Controlled by, Controlling, or under common Control with, the Proponent.
3. “**BC Hydro**” means British Columbia Hydro and Power Authority.
4. “**BCTC**” means British Columbia Transmission Corporation.
5. “**BCUC**” means British Columbia Utilities Commission.
6. “**Call**” means BC Hydro’s Bioenergy Call for Power – Phase I.
7. “**CEAP**” means Competitive Energy Acquisition Process.
8. “**Control**” of any person means (i) with respect to any corporation or other person having voting shares or the equivalent, the ownership or power to vote, directly or indirectly, shares, or the equivalent, representing 50% or more of the power to vote in the election of directors, managers or persons performing similar functions, or (ii) ownership of 50% or more of the equity or beneficial interest in that person, or (iii) the ability to direct the business and affairs of any person by acting as a general partner, manager or otherwise.
9. “**Customer**” means a customer of BC Hydro, or of any other public electric utility, taking industrial or commercial electricity service.
10. “**Distribution System**” means the distribution, protection, control and communication facilities in British Columbia that are or may be used in connection with, or that otherwise relate to, the transmission of electrical energy at 35 kV or less, and includes all additions and modifications thereto and repairs or replacements thereof.
11. “**EPA**” means an electricity purchase agreement entered into between a Proponent and BC Hydro pursuant to this RFP.
12. “**EPA Term Sheet**” means a term sheet setting out in summary form key terms and conditions of the proposed Specimen EPA, as described at section 15.
13. “**Feasibility Interconnection Study**” means a study in response to an application required to accommodate the interconnection of a Project to the Transmission System.
14. “**FAQ**” means frequently asked questions.
15. “**Forest-based Biomass**” has the meaning given in the first bullet of section 14.

16. “**Fuel Plan**” means the information required by Appendix 5 to this RFP.
17. “**GBL**” means generator base line, as referenced in section 13.
18. “**GWh**” means gigawatt-hour.
19. “**Lower Mainland**” means the Greater Vancouver Regional District.
20. “**OATT**” means BCTC’s Open Access Transmission Tariff, as filed with and accepted by the BCUC.
21. “**POI**” means point of interconnection.
22. “**PPT**” means Pacific Prevailing Time, which means Pacific Daylight Time or Pacific Standard Time, as applicable.
23. “**Preliminary Interconnection Study**” means a study prepared by BC Hydro in response to an application required to accommodate the interconnection of a Project to the Distribution System, prepared by BC Hydro, Distribution.
24. “**Project**” means an electrical generation facility and/or operational methods meeting the eligibility requirements of this RFP.
25. “**Project Description**” means the description of the Proponent and the Project, as described in Appendix 4 to this RFP.
26. “**Proponent**” means a person registered under the RFP for the purpose of submitting a Proposal, as described in section 6.
27. “**Proposal**” means a proposal submitted by a Proponent pursuant to the RFP, and all documents stated in the RFP to form part of a complete Proposal.
28. “**Proposal Letter**” means the letter substantially in the form attached as Appendix 3 to this RFP, to be submitted by a Proponent as part of its Proposal.
29. “**Q&A**” means question and answer.
30. “**Registration Form**” means the form attached as Appendix 2 to this RFP.
31. “**RFP**” means the “Bioenergy Call for Power – Phase I” issued by BC Hydro on February 6, 2008, and includes the Appendices described in section 3 and all Addenda issued from time to time.
32. “**RFP Administrator**” means the person appointed by BC Hydro described in section 5.
33. “**RFP Schedule**” means the schedule by which BC Hydro intends to conduct the RFP process, as described in section 7.
34. “**RFP Website**” means the website that BC Hydro will establish and to which Proponents will have access during the conduct of the RFP, as described in section 8.

35. “**Specimen EPA**” means the proposed form of EPA that BC Hydro intends to provide to Proponents, as described in section 15.
36. “**System**” means the Transmission System and/or the Distribution System, as applicable.
37. “**Transmission System**” means the transmission, substation, protection, control and communication facilities (i) owned by BC Hydro or BCTC, and (ii) operated by BCTC in British Columbia, and includes all additions and modifications thereto and repairs or replacements thereof.

APPENDIX 2

REGISTRATION FORM

[This appendix to be issued will be a registration form to be submitted by each Proponent that includes (a) the Proponent's commitment to be bound by the general terms and conditions set out in section 23, (b) the Proponent's consent to the disclosure of Project-related information, and (c) a requirement for the submission of summary information regarding the Proponent and its Project. See section 6 of the RFP.]

APPENDIX 3

FORM OF PROPOSAL LETTER

[This appendix to be issued will be a form of letter to be submitted as part of a Proponent's Proposal that will contain pricing and other commercial information relevant to the Proposal.]

APPENDIX 4

PROJECT DESCRIPTION REQUIREMENTS

[This appendix to be issued will set out instructions for the preparation of each Proponent's Project Description, to be submitted as part of the Proposal. The Project Description should contain detailed information concerning the Proponent and the Project]

APPENDIX 5

FUEL PLAN REQUIREMENTS

[This appendix to be issued will describe information to be provided by the Proponent concerning fuel types, volumes, and other fuel planning data.]

APPENDIX 6

BC HYDRO CODE OF CONDUCT

Please see attached.

Code of Conduct guidelines applicable to BC Hydro contracts

Attachment 1 to Director and Employee Code of Conduct

In its ongoing efforts to ensure that BC Hydro and its subsidiaries behave and are perceived to behave as ethical corporations, BC Hydro has adopted a Code of Conduct that provides guidelines for the behaviour of its Directors, Officers and Employees and for BC Hydro's expectations of the behaviour of its suppliers, consultants, contractors and business associates.

Unless it is inappropriate to do so, the guidelines set out below are to be included in every tender call, request for proposals and contract with BC Hydro and its subsidiaries.

A supplier, consultant, contractor or business associate may be required to give assurances that it conducts itself in accordance with the standards set in these guidelines before it will be considered qualified to enter into a business relationship with BC Hydro.

A supplier, consultant, contractor or business associate with which BC Hydro has a contract will be expected to comply with the standards set in these guidelines. Failure to do so, may be treated by BC Hydro as a reason for terminating the contract. In some cases, other terms of a specific contract may

impose a higher standard. In these cases, the contract terms with the higher standards apply.

Guidelines

In these guidelines:

"BC Hydro" means BC Hydro and Power Authority or any of its subsidiaries that has entered into the Contract described in these guidelines;

"Contractor" means the contractor, consultant, supplier or business associate who has a contract with BC Hydro in which these guidelines are included as a term of the contract.

- *1. The Contractor shall act at all times with integrity and honesty
- a) in its dealings with BC Hydro, and
 - b) in its dealings with a third person if, in those circumstances, the Contractor is acting as a representative of or on behalf of BC Hydro.
2. If the conduct of business with a competitor of BC Hydro during the term of the Contract would require the Contractor to act contrary to the best interests of BC Hydro, the Contractor shall not conduct such business unless the Contractor has the prior written permission of BC Hydro.

3. Before the Contract is entered into and from time to time as circumstances require, the Contractor shall disclose in writing to BC Hydro to the best of the Contractor's knowledge:

- a) any business relationship that the Contractor or any of its owners or officers has with a Director or Employee of BC Hydro,
 - b) the name of any Director or Employee of BC Hydro who is a relative of the Contractor or any of its owners or officers, and
 - c) the name of any Director or Employee of BC Hydro with whom the Contractor or any of its owners or officers is connected by frequent or close association.
4. The Contractor shall read BC Hydro's Code of Conduct that is available from Hydro's contract representative or available at BC Hydro's web site at **www.bchydro.com** and shall take all reasonable steps to avoid placing a Director or Employee of BC Hydro in a conflict of interest as contemplated by the Code.

* See next page.

- *5. The Contractor shall keep confidential all information provided to it by BC Hydro or developed during performance of the Contract and shall not use that information for any purpose unrelated to performance of its obligations under the Contract.
6. If the Contractor is given access to any BC Hydro property in order to perform the Contract, the Contractor shall use that property solely for purposes of performance of the Contract.
7. The Contractor shall not attempt to secure preferential treatment with BC Hydro by offering entertainment, gifts or benefits to BC Hydro Directors or Employees. Reasonable exchanges common to business relationships are acceptable.
8. Unless the Contractor has the express permission of BC Hydro, the Contractor shall not offer employment to a BC Hydro employee during the term of the Contract.
9. The Contractor shall provide its employees, including any employees of BC Hydro with whom the Contractor has a close working relationship, with a safe and healthy workplace that is harassment and discrimination free.
10. The Contractor shall ensure that when it is participating in any public discussions or taking a position of leadership in other organizations that it does not represent itself as a spokesperson

of BC Hydro unless the Contractor has been retained specifically to act in that capacity.

Contractors who wish further information or advice on the application of these guidelines to particular circumstances are encouraged to speak to BC Hydro's contract representative.

Clarification

Issued August 2000

This discussion provides clarification of the intention of Item 3 of the Code of Conduct Guidelines applicable to BC Hydro Contracts which refer to "owners" of a Contractor. The following may be used to determine whether a disclosure is required for a particular owner of the Contractor.

If the Contractor is a corporation with more than two shareholders, a disclosure will only be required for a shareholder who is:

1. an individual who beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting shares of the Contractor, or
2. an individual who together with his or her associate** beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting shares of the Contractor.

If a Contractor is a partnership with more than two partners, a disclosure will only be required for a partner who is:

1. an individual who beneficially owns, directly or indirectly, more than 20 per cent interest in the partnership, or
2. an individual who together with his or her associate** beneficially owns, directly or indirectly, more than 20 per cent interest in the partnership.

** "associate" means

1. a spouse*** of the shareholder or partner,
2. a son or daughter
 - of the shareholder or partner, or
 - of the spouse of the shareholder or partner,
 if the son or daughter is under 19 years of age or is living in the family residence of the shareholder or partner, or
3. a relative of the shareholder or partner who is living in the family residence of the shareholder or partner.

*** "spouse" means a person to whom the shareholder or partner is married or with whom the shareholder or partner is living in a marriage-like relationship, including a person of the same gender, but does not include a person from whom the shareholder or partner is separated or living apart and with whom the shareholder or partner has entered into an agreement to live apart or who is the subject of an order of a court recognizing the separation.

* See Clarification issued September 2005 in this attachment to the Code (overleaf) on "Conflicts of Interest", "Integrity and Honesty", and "Confidentiality" (items 1 and 5 above).

Clarification

Issued September 2005

This discussion to provides clarification of items 1 and 5 of the Code of Conduct Guidelines applicable to BC Hydro Contracts with respect to Conflicts of Interest; Integrity and Honesty; and Confidentiality.

Item 1

Item 1 states: The Contractor shall act at all times with integrity and honesty

- a) in its dealings with BC Hydro, and
- b) in its dealings with a third person if, in those circumstances, the Contractor is acting as a representative of BC Hydro.

Although this obligation has a broader scope than this discussion, this document is intended to address specifically the issue of conflicts of interest that may arise in the course of a Contractor providing services to BC Hydro or otherwise acting for or on behalf of BC Hydro. In such circumstances BC Hydro expects that a Contractor acting with integrity and honesty will conduct itself as follows:

1. At all times during the term of a contract, the Contractor will avoid any potential conflicts of interest between its interests and those of BC Hydro.
2. Before a contract is entered into, the Contractor will make a written disclosure of any potential conflicts of interest that might arise during the term of the contract.
3. If a potential or actual conflict of interest arises during the term of an existing contract, the Contractor will make a written disclosure of the circumstances at the earliest possible opportunity to the BC Hydro representative responsible for the contract.
4. After making the required written disclosure, the Contractor will take any steps reasonably required by BC Hydro to ensure that BC Hydro's interests are protected, including refraining from any activity or ceasing any activity that has given rise to the conflict of interest. For these purposes, BC Hydro's interests include non-economic considerations such as reputation.

These expectations are consistent with those required of the employees and directors of BC Hydro as set out in its Code of Conduct for Employees and Directors.

Potential conflicts of interest are more likely to occur if the Contractor has been engaged to perform the following types of activities:

1. To administer or manage other BC Hydro contracts. For example, if the Contractor is engaged to administer or manage the contract of another BC Hydro contractor that is a competitor of the Contractor, the Contractor has a conflict of interest if it has access to the other contractor's proprietary information or methods for carrying out the contract or if the Contractor has the opportunity to treat the other contractor in an inequitable or unfair manner.
2. To carry out purchasing functions including preparing all or part of the tender documents or RFPs, conducting the tendering or RFP process, recommending award of contracts. For example, if the Contractor has been engaged to prepare the scope of work or services for a contract upon which it, or any related business (see interpretation at the end of this discussion), intends to be considering submitting a bid or proposal, the Contractor has a conflict of interest.

3. To develop or manage a budget. For example, if the Contractor has been engaged to develop or manage a budget for BC Hydro operations and the Contractor's current business relationship or future business relationship with BC Hydro is or could be affected by that budget, the Contractor has a conflict of interest.
4. To provide services to or manage a special project. For example, if the Contractor has been engaged to evaluate BC Hydro's needs in respect of a certain issue e.g. adequacy of equipment; business organization, and the Contractor is in the business of supplying or refurbishing equipment or providing business management services, the Contractor has a conflict of interest.
5. To conduct negotiations on behalf of BC Hydro. For example, If the Contractor has the opportunity in these negotiations to benefit itself- other than as contemplated in the contract with BC Hydro - the Contractor has a conflict of interest.
6. To speak for BC Hydro.

The Contractor has an actual conflict of interest if the Contractor, while performing these activities, has the opportunity to further its own interests. The Contractor has an apparent conflict of interest when a reasonably well informed person could perceive that the Contractor's ability to perform these activities was or may be affected by the Contractor's interests.

For purposes of this discussion, a Contractor's interests include the interests of the Contractor's directors, officers, employees and of a related business.

For purposes of this discussion, "related business" includes, but is not limited to:

1. an affiliate, as defined in the Business Corporations Act SBC 2002, as amended from time to time, of the Contractor;
2. an owner as described in the Clarification Statement issued August 2000 in respect of the Code of Conduct Guidelines applicable to BC Hydro Contracts; and
3. any other entity in which the Contractor has an ownership or financial interest.

Item 5

Item 5 of the Guidelines, although dealing specifically with confidential information, is often related to Item 1 discussed above.

Item 5 states: The Contractor shall keep confidential all information provided to it by BC Hydro or developed during performance of the Contract and shall not use that information for any purpose unrelated to performance of its obligations under the Contract.

A Contractor acting with integrity and honesty will take special care to ensure that any confidential information it has been provided by BC Hydro or that it has developed for BC Hydro will not be used for its own purposes. For example, this information should not be used by the Contractor to prepare any bids or proposals in response to a BC Hydro tender or proposal call or to take advantage of any business opportunities disclosed in the information or to acquire a competitive advantage over other businesses or to harm BC Hydro.

For further advice on issues relating to conflicts of interest or confidentiality of information please contact your BC Hydro representative responsible for the contract or BC Hydro's Code of Conduct Advisor.

Clarification of “Conflicts of Interests” and “Benefits” - Issued July 2002

The purpose of this Clarification Statement is to establish some general rules for and to clarify the Corporation’s intention in respect of two matters: the nature of a private interest that may create a conflict of interest and the prohibition against receiving a benefit from a BC Hydro business relationship.

For further advice please contact your Manager or the Code of Conduct Advisor.

Private interests resulting in conflicts of interest

Under the Code, a Director or Employee is to avoid all conflicts of interest and where there is an actual or potential conflict of interest or perception of a conflict of interest must make full disclosure and must not participate in the matter giving rise to the conflict. The conflict of interest provisions are not intended to treat all private interests, as defined in the Code, in the same manner.

Potential conflicts of interest arising out of private interests which are trivial are generally of less concern to the Corporation. A trivial interest is an interest of such minimal value or so remote from influence by a Director or Employee that it would not reasonably be considered to constitute a risk of conflict of interest.

The following are examples of interests that would ordinarily be considered so remote as not to constitute a risk of conflict of interest:

- **Publicly traded corporation** – Ownership of shares in a widely publicly traded corporation where:
 - (a) the Director or Employee does not hold, directly or indirectly, sufficient shares to have effective control of the corporation, and
 - (b) the Director or Employee or an associate of them (“associate” is defined in the Code) is not a director, officer, employee, consultant or advisor of that corporation.
- **RRSP** – Ownership of shares of a corporation by means of a Registered Retirement Savings Plan, or similar financial product e.g. RESP, that is not self-administered.
- **Mutual Funds** – Ownership of units in a mutual fund which is managed by an independent fund manager where the Director or Employee or an associate of them is not a director, officer, employee, consultant or advisor of that fund.

If a Director or Employee has a “trivial” private interest, the Director or Employee should disclose the interest as required under the Code. In this situation, the Director or Employee is not required to abstain from voting or taking other actions that may impact the outcome of the matter that involves such interest unless the Board of Directors, in the case of a Director, or the Manager, in the case of an Employee, determines otherwise, or in all of the circumstances the Director or Employee could, despite the trivial nature of the interest, be perceived to be in a conflict of interest.

Benefits from BC Hydro business relationships

The prohibition against receiving a benefit from a BC Hydro business relationship is not intended to be absolute. The Code expressly qualifies the prohibition by stating that it does not apply to a benefit that the Corporation intends its Directors or Employees to enjoy. This Clarification Statement describes other qualifications on the prohibition:

1. It is only intended to apply to a pecuniary or economic benefit or to a benefit to which a pecuniary or economic value may be attributed.
2. It is not intended to prohibit a benefit which is trivial. A benefit will ordinarily be considered trivial if it is of minimal value or if it is remote from the business relationship. The following situations are two examples of when a benefit would be considered remote from a business relationship:
 - (a) If the Director or Employee owns units in a mutual fund that holds shares in a company with which the Corporation does business, an increase in the value of the units of the mutual fund would, in the absence of exceptional circumstances, be considered a benefit that is remote from the Corporation's business relationship.
 - (b) If a Director or Employee owns shares in a publicly traded company and a subsidiary of that company does business with the Corporation, the benefit received by the subsidiary from that business would, in the absence of exceptional circumstances, be considered a benefit that is remote from the Corporation's business relationship.
3. It is generally not intended to prohibit a benefit received from a business relationship in which the Director or Employee, in any official or unofficial capacity, did not participate or did not have the opportunity to influence. However, in certain circumstances receipt of such benefits could nonetheless result in the perception of a conflict of interest. Usually, the most effective way to avoid this perception is to refuse the benefit.

For additional advice on perception of a conflict and its avoidance, contact the Code of Conduct Advisor.
4. It is not intended to apply to a benefit received from a business relationship which the Director or Employee, in an official or unofficial capacity, had the opportunity to influence **if**:
 - (a) at the earliest opportunity, the Director or Employee makes full disclosure of the particular circumstances to the Board of Directors, in the case of the Director, and to a Manager, in the case of an Employee,
 - (b) the Director or Employee abstains from voting or taking any other actions that could impact the outcome of the business relationship, and
 - (c) the Board of Directors, in the case of the Director, or a Manager, in the case of an Employee, approves the benefit received.

Whenever in doubt about the application of this prohibition, full disclosure of the circumstances is the most effective way to prevent an inadvertent breach of the Code of Conduct.

**CODE OF CONDUCT GUIDELINES APPLICABLE TO BC HYDRO CONTRACTS
ATTACHMENT 1 TO DIRECTOR AND EMPLOYEE CODE OF CONDUCT**

**Further Clarification
Issued September 2005**

This document is issued to provide clarification of items 1 and 5 of the Code of Conduct Guidelines applicable to BC Hydro Contracts with respect to Conflicts of Interest; Integrity and Honesty; and Confidentiality.

Item 1

Item 1 states: *The Contractor shall act at all times with integrity and honesty*

- a) *in its dealings with BC Hydro, and*
- b) *in its dealings with a third person if, in those circumstances, the Contractor is acting as a representative of BC Hydro.*

Although this obligation has a broader scope than this discussion, this document is intended to address specifically the issue of conflicts of interest that may arise in the course of a Contractor providing services to BC Hydro or otherwise acting for or on behalf of BC Hydro. In such circumstances BC Hydro expects that a Contractor acting with integrity and honesty will conduct itself as follows:

1. At all times during the term of a contract, the Contractor will avoid any potential conflicts of interest between its interests and those of BC Hydro.
2. Before a contract is entered into, the Contractor will make a written disclosure of any potential conflicts of interest that might arise during the term of the contract.
3. If a potential or actual conflict of interest arises during the term of an existing contract, the Contractor will make a written disclosure of the circumstances at the earliest possible opportunity to the BC Hydro representative responsible for the contract.
4. After making the required written disclosure, the Contractor will take any steps reasonably required by BC Hydro to ensure that BC Hydro's interests are protected, including refraining from any activity or ceasing any activity that has given rise to the conflict of interest. For these purposes, BC Hydro's interests include non-economic considerations such as reputation.

These expectations are consistent with those required of the employees and directors of BC Hydro as set out in its Code of Conduct for Employees and Directors.

Potential conflicts of interest are more likely to occur if the Contractor has been engaged to perform the following types of activities:

1. To administer or manage other BC Hydro contracts. For example, if the Contractor is engaged to administer or manage the contract of another BC Hydro contractor that is a competitor of the Contractor, the Contractor has a conflict of interest if it has access to the other contractor's proprietary information or methods for carrying out the contract or

if the Contractor has the opportunity to treat the other contractor in an inequitable or unfair manner.

2. To carry out purchasing functions including preparing all or part of the tender documents or RFPs, conducting the tendering or RFP process, recommending award of contracts. For example, if the Contractor has been engaged to prepare the scope of work or services for a contract upon which it, or any related business (see interpretation at the end of this discussion), intends to or is considering submitting a bid or proposal, the Contractor has a conflict of interest.
3. To develop or manage a budget. For example, if the Contractor has been engaged to develop or manage a budget for BC Hydro operations and the Contractor's current business relationship or future business relationship with BC Hydro is or could be affected by that budget, the Contractor has a conflict of interest.
4. To provide services to or manage a special project. For example, if the Contractor has been engaged to evaluate BC Hydro's needs in respect of a certain issue e.g. adequacy of equipment; business organization, and the Contractor is in the business of supplying or refurbishing equipment or providing business management services, the Contractor has a conflict of interest.
5. To conduct negotiations on behalf of BC Hydro. For example, if the Contractor has the opportunity in these negotiations to benefit itself – other than as contemplated in the contract with BC Hydro – the Contractor has a conflict of interest.
6. To speak for BC Hydro.

The Contractor has an actual conflict of interest if the Contractor, while performing these activities, has the opportunity to further its own interests. The Contractor has an apparent conflict of interest when a reasonably well informed person could perceive that the Contractor's ability to perform these activities was or may be affected by the Contractor's interests.

For purposes of this discussion, a Contractor's interests include the interests of the Contractor's directors, officers, employees and of a related business.

For purposes of this discussion, "related business" includes, but is not limited to:

1. an affiliate, as defined in the *Business Corporations Act* SBC 2002, as amended from time to time, of the Contractor;
2. an owner as described in the Clarification Statement issued August 2000 in respect of the Code of Conduct Guidelines applicable to BC Hydro Contracts; and
3. any other entity in which the Contractor has an ownership or financial interest.

Item 5

Item 5 of the Guidelines, although dealing specifically with confidential information, is often related to Item 1 discussed above.

Item 5 states: *The Contractor shall keep confidential all information provided to it by BC Hydro or developed during performance of the Contract and shall not use that information for any purpose unrelated to performance of its obligations under the Contract.*

A Contractor acting with integrity and honesty will take special care to ensure that any confidential information it has been provided by BC Hydro or that it has developed for BC Hydro will not be used for its own purposes. For example, this information should not be used by the Contractor to prepare any bids or proposals in response to a BC Hydro tender or proposal call or to take advantage of any business opportunities disclosed in the information or to acquire a competitive advantage over other businesses or to harm BC Hydro.

For further advice on issues relating to conflicts of interest or confidentiality of information please contact your BC Hydro representative responsible for the contract or BC Hydro's Code of Conduct Advisor.

C O D E O F C O N D U C T C O N T A C T S

YOUR LINE MANAGER

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ROLE OF CODE OF CONDUCT ADVISOR: provides independent and confidential advice on the interpretation and application of the Code of Conduct and its related guidelines.

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Reprinted February 2006 with further clarifications.



Director and Employee Code of Conduct

Introduction

The Director and Employee Code of Conduct provides general guidance on the standards of conduct expected of Directors, Employees and Contractors of BC Hydro, including guidelines on conflict of interests. The guidelines applicable to Contractors are attached to this Code as Attachment 1. Within the Corporation there are other policies or procedures which complement or support the general Code of Conduct and reference is made to them throughout this Code.

See page 7 for Definitions of Terms used in the Code of Conduct and related documents.

BC Hydro, recognizing the need for a neutral and independent resource to provide a clear interpretation of its standards of business conduct and guidelines for conflict of interest, has established a Code of Conduct Advisor. The Code of Conduct Advisor, an independent contractor appointed by the Board:

1. reports through the Office of the Chair;
2. reviews, updates or establishes appropriate policy, guidelines, procedures and processes for

BC Hydro's code of business conduct and conflict of interest guidelines; and

3. provides independent expert advice, receives disclosures and if appropriate, issues written opinions or directives to Directors, Employees and Contractors on code of conduct and conflict of interest matters that they may encounter when fulfilling their respective responsibilities.

The fundamental relationship between Director and/or Employee and BC Hydro must be one of trust; essential to trust is a commitment to honesty and integrity.

Compliance with law

BC Hydro's Directors and Employees shall comply with all applicable provisions of laws and regulations of the countries in which BC Hydro operates. Directors and Employees shall contact BC Hydro's legal counsel if they have any questions regarding applicable laws.

No one in BC Hydro shall commit or condone an illegal act or instruct another Employee, partner or Contractor to do so.

Employees are expected to be sufficiently familiar with any legislation that applies to their work, to recognize potential liabilities and to know when to seek legal advice. If in doubt, ask for clarification from BC Hydro's legal counsel.

No Director or Employee shall create or condone the creation of a false record. No Director or Employee shall destroy or condone the destruction of a record, except in accordance with BC Hydro policies.

Directors and Employees must not engage in or give the appearance of being engaged in any illegal or improper conduct that is in violation of this Code.

Conflicts of interest*

Directors and Employees will perform their duties conscientiously and will not put themselves in a position in which their private interests and those of BC Hydro might be or perceived to be in conflict.

A Director or Employee has an actual conflict of interest when the Director or Employee is performing a duty or function of the position and in the performance of that duty or function has the opportunity to further his or her private interests.

* Refer to Appendix A for further clarification on **Conflicts of Interest**, **Benefits** and **Outside Collaborative Activities**.

There is an apparent conflict of interest when a reasonably well-informed person could perceive that a Director's or Employee's ability to perform a duty or function of the position was or will be affected by the Director's or Employee's private interests.

Every Director and Employee must avoid any situation in which there is an actual or apparent conflict of interest that could interfere or could be perceived to interfere with the Employee's or Director's judgment in making decisions in BC Hydro's best interests.

BC Hydro depends on the integrity of all Directors or Employees who have knowledge of a decision or activity of BC Hydro that involves or might involve a conflict of interest to disclose the circumstances.

Assurance that no conflict of interest or other breach of this Code exists may be required, in writing, from time to time.

Every Director and Employee shall disclose all circumstances that constitute an actual or apparent conflict of interest. Disclosure shall be made, in the case of Directors, to the Chair, and in the case of Employees, to their manager.

Some conflicts are quite clear, but others are less obvious. BC Hydro recognizes that its Directors and Employees have perfectly legitimate outside interests; however, there may also be situations which could be perceived as a conflict of interest no matter how innocent the intentions of the Employee or Director.

The following are examples of circumstances where a Director's or Employee's private interests would be in conflict with the interests of BC Hydro:

1. an Employee who is responsible for awarding a BC Hydro printing contract is a partner in a printing firm that has tendered for that contract;
2. a Director discloses confidential information about future real estate acquisitions of BC Hydro to a close personal friend with whom the Director has had business dealings in the past;
3. the teenage son of an Employee who is negotiating a contract with an environmental consultant is offered and accepts a free week long trip on a northern BC river from the environmental consultant;
4. a Director who is aware of a significant contract being negotiated between a public company and BC Hydro purchases shares in the public company before the contract is announced publicly.

Directors or Employees who find themselves in a conflict of interest must disclose the conflict and abstain from voting or other actions that impact the outcome of the activity or business transaction. Full disclosure enables Directors and Employees to resolve unclear situations and gives an opportunity to dispose of or appropriately address conflicting interests before any difficulty can arise.

Where necessary, an Employee or Director may refer an individual situation to BC Hydro's Code of Conduct Advisor, who may recommend actions needed to eliminate or address a conflict of interest.

The following provides a more detailed discussion of circumstances where a conflict of interest could arise and how BC Hydro expects its Directors and Employees to behave.

Outside business interests

In this discussion, "business activity" refers to ownership, participation in decision-making as a member of a board of directors, or engagement as an advisor or consultant or as an active member of staff in any position.

Employees should declare their outside business activities at the time of engagement and are required to limit outside business activities to avoid any conflicts of interest or other breaches of the provisions of the Code. Notwithstanding any outside business activities, Employees are required to act in the best interests of BC Hydro.

No Employee or Director should hold a substantial private interest, directly or indirectly, through a relative, friend or associate, or hold or accept a position as an officer or director, in an entity where by virtue of his or her position in BC Hydro the Director or Employee could in any way benefit the entity by influencing the decisions of BC Hydro.

Confidential information

A Director or Employee should at all times maintain the confidentiality of all confidential information and all records of BC Hydro and must not make use of or reveal such information or records except in the course of performance of their duties or unless the documents or information become a matter of general public knowledge.

Similarly, Directors or Employees may not use confidential information obtained through their association or employment with BC Hydro to further their private interests or the private interests of their friends or relatives.

A Director or Employee using BC Hydro's computer data base or electronic mail system will be expected to comply with any internal policies and procedures that guide the storage, use and transmission of information through this medium.

Investment activity

Directors or Employees may not, directly or indirectly, through friends, relatives or associates, acquire or dispose of any interest, including publicly traded shares, in any entity when in possession of confidential information obtained in the performance of their duties with BC Hydro which could affect the value of such interest.

Each province has its own legislation on "insider trading", which means buying or selling securities on the basis of "inside" knowledge not

available to the public. Penalties are severe for violations and Directors or Employees who trade in, or are contemplating trading in securities, should familiarize themselves with the relevant legislation.

Outside employment*

BC Hydro Employees may hold outside jobs or engage in modest self-employment activities on their own time, using their own resources, and in a manner not adversely affecting their performance or objectivity for BC Hydro.

However, no BC Hydro Employee, may accept work with a competitor, or with any entity that could lead to a conflict of interest or situation prejudicial to BC Hydro's interests.

Non-profit and professional associations

BC Hydro encourages its Employees to contribute to their communities through involvement with charitable, community service and professional organizations. However, Employees should only use BC Hydro time or resources for such activities with the prior agreement of management.

From time to time, individual Directors and Employees reach positions of leadership in non-profit associations where they may be viewed as spokespersons for those groups. In such situations, the individuals should ensure that they are seen as speaking for their organization or as individuals, and not as an Employee or spokesperson of BC Hydro.

Entertainment, gifts and benefits

In this discussion, "gifts or benefits" includes cash, preferred loans, securities or secret commissions.

It is essential to efficient business practices that all those who do business with BC Hydro, as contractors or customers, have access to BC Hydro on equal terms.

Directors and Employees and their associates should not accept entertainment, gifts or benefits which grant or appear to grant preferential treatment to a potential or actual contractor of BC Hydro. Any entity offering such inducement must cease this practice; a business relationship with BC Hydro will be conditional on compliance with this Code.

Similarly, no Director or Employee may offer entertainment, gifts or benefits in order to secure preferential treatment for BC Hydro.

Gifts, entertainment and benefits may only be accepted or offered by a Director or Employee in the normal exchanges common to business relationships. The following criteria will guide your judgment:

1. the gift, entertainment or benefit would be considered by the business community to be within the bounds of propriety taking into account all the circumstances of the occasion;
2. the exchange does not nor is it expected to create an obligation;

* Refer to Appendix B for further clarification on **Outside Employment**.

3. it occurs infrequently; and
4. it could be justified on a BC Hydro expense statement if the Employee or Director offers rather than receives it.

Inappropriate gifts that are received by a Director or Employee should be returned to the donor and may be accompanied by a copy of this Code. Perishable gifts can be donated to a charity and the donor notified. The Code of Conduct Advisor will be advised of the circumstances of an inappropriate gift.

In some cultures or business settings, the return of a gift or refusal of a favour, benefit or entertainment would be offensive; in these cases, a Director or an Employee should refer the circumstances to the Chair for guidance.

Full and immediate disclosure to BC Hydro management of borderline cases will always be taken as good-faith compliance with this Code.

Business relations with contractors

BC Hydro will deal fairly and openly with all its Contractors and will facilitate access to its business by all entities, provided conditions of quality, reliability and competitiveness are met.

No Director or Employee may benefit directly or indirectly from BC Hydro's business relationships unless the benefit is an ancillary benefit that BC Hydro intends its Directors or Employees to enjoy.

Professional development

BC Hydro encourages and supports the professional development of its Employees. Where staff are members of a recognized profession, they are expected:

1. to keep abreast of professional developments in their field;
2. to perform their duties in accordance with the recognized standards of that profession; and
3. to abide by any code of ethics adopted by their professional association.

Environment and safety

Environmental protection is a fundamental BC Hydro value; every Director and Employee has a role in ensuring BC Hydro's operations comply with environmental legislation and standards.

Safety must be everyone's concern. BC Hydro is committed to providing all Employees a safe, healthful and harassment-free workplace and to ensuring safe and respectful work practices and conditions.

Management and Directors have both a legal and a moral responsibility for safety and the protection of the environment, and every manager has a specific obligation in this respect.

Every Employee has a personal responsibility to take all prudent precautions in every activity, not just to ensure personal safety, but also to avoid creating any danger to others or demonstrating behaviour which can be reasonably construed as discrimination or harassment.

Use of Corporation property

BC Hydro assets must not be misappropriated for personal use by Directors or Employees.

Directors and Employees are entrusted with the care, management and cost-effective use of BC Hydro's property, including the use of BC Hydro's name, and should not make significant use of these resources for their own personal benefit or purposes.

Directors and Employees should ensure that all BC Hydro property assigned to them is maintained in good condition and should be able to account for such property.

Directors and Employees may not dispose of BC Hydro property except in accordance with the guidelines established by the Investment Recovery Manager or other designated Employee.

Patents and discoveries

Employees are often engaged in various forms of research or problem solving for BC Hydro. The product of their efforts produced within the scope of their employment belongs to BC Hydro, whether the product was concluded while actually at work or not.

Such products include computer programs, technical processes, inventions, research methods, reports or articles and any other form of innovation or development. Patents, rights or copyright, as appropriate, must be assigned by Employees to BC Hydro.

Political participation

Directors and Employees are encouraged to participate fully as private citizens in the democratic process at any level, including campaigning in elections and running for or holding public office.

However, Directors and Employees engaging in the political process should do so on their own time and must take care to separate their personal activities from their association with BC Hydro.

Responsibility

BC Hydro is determined to behave, and to be perceived, as an ethical corporation. Each Director and Employee must adhere to the standards described in this Code of Conduct, and to the standards set out in applicable policies, guidelines or legislation.

An Employee's failure to adhere to these standards could lead to disciplinary action and the policies and procedures currently in place at BC Hydro respecting disciplinary action will apply.

A Director's failure to adhere to these standards could result in a recommendation for removal from office.

To demonstrate our determination and commitment, BC Hydro asks each Director and Employee to review the Code periodically throughout the year. Take the opportunity to discuss with the Code of Conduct Advisor or senior management any circumstances that may have arisen which could be an actual or potential violation of these ethical standards of conduct.

Directors of BC Hydro and its subsidiaries, members of BC Hydro's Corporate Management Committee, officers appointed by subsidiary boards of directors and any other officer of BC Hydro as required by BC Hydro's Board of Directors are required to sign a Form of Declaration annually and file it with the Corporate Secretary, see Attachment 5.

Directors are also required to comply with the Protocol for Directors, see Attachment 2.

Integrity, honesty, and trust are essential elements of our business success. Any Director or Employee who knows or suspects that this Code of Conduct has been or is likely to be breached has a responsibility to report it.

A Director or Employee who requires advice on a particular Code of Conduct matter or suspects improper activities should seek clarification from the appropriate official, either the Code of Conduct Advisor or the appropriate manager.

Where to seek clarification

For Directors, you should refer such matters to the Code of Conduct Advisor.

For Employees, your immediate manager will provide guidance on any item in this Code of Conduct. You may then be directed to the sources of information, including relevant corporate policy, or be referred to one of the authorities mentioned below.

If the issue is one which you feel unable to discuss with your

immediate manager, you should refer to the next level of management or to a member of BC Hydro's senior management, or to the Code of Conduct Advisor.

The privacy of a Director or Employee who discloses a breach or potential breach under this Code of Conduct will be respected by management of BC Hydro as much as is possible in the circumstances. Management of BC Hydro is responsible for ensuring that any individual who, in good faith, has made a disclosure of a breach or potential breach of this Code of Conduct does not suffer any adverse consequences as a result.

All disclosures to the Code of Conduct Advisor will be kept strictly confidential unless, in the sole opinion of the Advisor, the matter disclosed constitutes an actual or potential threat of serious harm to BC Hydro, its Employees or to the general public. In that event, the Advisor will act in accordance with any disclosure procedure issued by the Advisor. See Procedure for Disclosures to Code of Conduct Advisor (Attachment 3A), as well as Procedure for Confidential Reporting of Financial Concerns (Attachment 3B).

Exemptions from Code requirements

An Employee or a Director may request an exemption from a requirement of this Code in accordance with the published administrative procedures. See Exemption Procedures for Employees (Attachment 4A), Directors (Attachment 4B), and Policy Guidelines (Attachment 4C).

In extraordinary circumstances and where it is clearly in the best interests of BC Hydro to do so, the President and CEO of BC Hydro or its subsidiaries, as the case may be, may grant to an Employee an exemption from the requirements of this Code to allow the continuation of circumstances that would otherwise be considered an actual or apparent conflict of interest under this Code or that would be considered a breach of this Code. Conditions may be attached to an exemption.

In extraordinary circumstances and where it is clearly in the best interests

of BC Hydro to do so, the Chair of the Board of Directors of BC Hydro may exempt a Director of its Board or the Board of Directors of any of its subsidiaries from a requirement of this Code following full and detailed disclosure by the Director of all material and relevant circumstances respecting the matter. Conditions may be attached to an exemption.

If a Director or Employee is exempted from a requirement of this Code for the continuation of circumstances that would otherwise be considered an actual or apparent conflict of interest, the Director or Employee

must refrain from participating in any way in any decision-making respecting the subject matter of the conflict of interest except to the extent specifically authorized in the decision granting the exemption.

***Note:** The provisions of this Code of Conduct are in addition to, and not in substitution for, any obligation to BC Hydro imposed upon a Director or Employee by common law, equity or statute. Compliance with the Code shall not relieve a Director or Employee from any such obligations.*

Definitions

Throughout this Code and in any related or referenced documents,

“associate” means

1. a spouse of the Director or Employee,
2. a son or daughter of a Director or Employee or of the spouse of a Director or Employee if the son or daughter is under 19 years of age or is living in the family residence of the Director or Employee,
3. a relative of the Director or Employee who is living in the family residence of the Director or Employee,
4. a corporation of which the Director or Employee beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting securities of the corporation,
5. a corporation of which a person referred to in paragraph 1 or 2 beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting securities of the corporation, or
6. a trust or estate in which the Director or Employee has a substantial beneficial interest or for which the Director or Employee serves as trustee;

“BC Hydro” means the British Columbia Hydro and Power Authority and includes its subsidiaries and related corporations, if any, as the case may be;

“confidential information” includes business, operating and marketplace information about BC Hydro, personal information about Employees and customers of BC Hydro, information about the business interests of customers, suppliers or other third parties with whom BC Hydro business relationships and information provided by legal counsel;

“contractor” includes a supplier or consultant of BC Hydro and a BC Hydro business associate such as its partner or joint-venturer;

“friend” includes an individual with whom the Director or Employee is connected by frequent or close association;

“private interest” means a pecuniary or economic interest or advantage and includes any real or tangible benefit that personally benefits the Director or Employee or his or her associate but does not include an interest arising from the performance of the Director’s or Employee’s official duty or function that applies to the general public, affects an individual as one of a broad class of the public, or concerns the Director’s or Employee’s

remuneration and benefits received in that capacity;

“relative” means a relative by blood, adoption or marriage;

“substantial private interest” means a private interest that is substantial enough in the particular circumstances to benefit materially from a decision of BC Hydro;

“spouse” means a person the Director or Employee is married to or with whom the Director or Employee is living in a marriage-like relationship, including a person of the same gender, but does not include a person from whom the Director or Employee is separated or living apart and with whom the Director or Employee has entered into an agreement to live apart or who is the subject of an order of a court recognizing the separation.